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Marxism Today

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☆

Capitalism's Economic Prospects

Report of the Economic Committee of the Communist Party

Also in this number:

EDITORIAL COMMENTS

A. ESCALANTE — THE NEW STAGE OF THE CUBAN REVOLUTION

R. JARDINE — STAGES OF SOCIAL DEVELOPMENT

Monthly 1/6

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Marxism Today

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Editorial correspondence
James Klugmann,
16 King Street, W.C.2.

Advertisements
Margaret Williamson,
above address.

Orders and Subscriptions
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Editorial Comments

THIS month we have taken the unusual step of giving three-quarters of our space to a single item—the report on "Capitalism's Economic Prospects" prepared by the Economic Committee of the Communist Party. This report is the outcome of much study and discussion, aimed at finding answers to questions arising out of post-war economic developments, especially those relating to the general crisis of capitalism and the movement of the trade cycle. These are problems of the greatest importance in the analysis of the general economic and political situation, and the Economic Committee's assembling of the facts, and the conclusions drawn, are of the widest interest.

We shall, of course, devote so much of our space to a single item only on special occasions, and with next month's issue we shall revert to our usual range of articles.

'To him that hath shall be Given . . . '

What an effort Britain's great monopolies are making to present themselves in a favourable light to the people in order to win friends and influence.

The Times recently published a twenty-four-page survey of Imperial Chemical Industries and its operations, which contains much of interest to technologists, and would-be investors, and even a little of interest to Marxists.

The latter will be interested in the question of origin of the resources which have financed the enormous expansion of the I.C.I. in recent years. No less than £495 million has been spent on I.C.I. expansion in the last fifteen years. Only one-quarter of this massive new investment was subscribed by the shareholders. The rest came from ploughed-back profits, squeezed out of the workers.

In the past, apologists of capitalism have painted a picture as follows. Into the formation of a company go three elements. The shareholders subscribe the capital, the workers subscribe their labour power (mental and manual), the directors and managers provide the commercial and technical know-how.

So it is argued each have made their contribution and each is entitled to its reward; the shareholders to dividends, the workers to wages, the top directors to salaries, expense accounts, top-hat pension schemes, golden handshakes and all the rest of it.

Marxists always pointed out that the ability of the rich to invest came from the previous exploitation of the workers. The rich in subscribing for shares were merely reinvesting part of the dividends which they had previously received. The process of accumulation becomes very much clearer, however, when a large part of the profits squeezed from the workers is reinvested and is not in the first place distributed to the shareholders at all.

So the question arises if a tremendous expansion of capital is made out of the surplus arising from the workers, who owns the new capital? The answer is that the shareholders do (apart from a tiny proportion accruing to the workers under the profit-sharing scheme). The shareholder not only gets a high dividend on his original shares but ultimately gets new shares, representing the new capital brought into being from the profits which have been ploughed back.

The City Editor of *The Times* explains what has happened in a neat little table. A shareholder buying 100 £1 shares in 1946 would have paid £207 for his shares. If he had taken advantage of a number of bonus issues paying some extra cash, he would now hold 441 shares of £1. The total cost of these shares to him (including the original £207) would be £346. But the market value of I.C.I. shares has appreciated. It is now around £4 for each £1 share, so that the present value of the shares is around £1,764. Therefore, in fifteen years the value of this particular shareholding has increased five times.

This enormous increase in the shareholders' property has come about not mainly because he put extra money into the concern, but because there has been a vast capital expansion out of the profits. He has now 441 shares in place of his original 100, and the shares are five times the value he paid for them. A valuable little lesson on the way capital accumulates as a result of the exploitation of the workers.

Publishing in Danger

Publishing in Britain is, of course, on the whole firmly in the hands of the ruling class. Yet there remain enough independently minded publishers for it to be possible for many books by Marxists and other progressives to be published each year. Publishing still retains something of the character of a "liberal" profession.

We should not take this state of affairs for granted. The City, in its search for quick profits, has been turning covetous eyes towards the book world lately. Many sides of publishing cannot offer a quick return on capital; but paperbacks, for instance, with their enormously expanding home and export markets can. Hence the rush

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for those 450,000 Penguin shares which were recently overscribed 150 times. Many well-known imprints today have behind them powerful capitalist concerns; Tillings is financially tied up with Heinemann; Howard Samuel had become an important figure in the book world by the time of his death.

If we wonder what restrictions big business will seek to impose on the Houses it controls, we may be even more apprehensive of the encroaching American danger to British publishing. This was a dominant theme at the recent Booksellers' Association Conference where Dr. Desmond Flower of Cassell's declared: "I don't like the influence of American money on British publishing. There is a danger of big business upsetting what we are trying to do." In Corgi Books we already have a major U.S. firm well entrenched in the British paperback market. One by one American firms such as Macmillan (New York), MacGraw-Hill, Van Nostrand and Wiley have set up offices here.

The trade is buzzing with rumours of would-be U.S. take-overs. Dr. Flower has stated that he expects a number of paperback firms to come under 50 per cent American control in the future. And *The Times* recently went so far as to forecast that "the time may not be far off when a deal in publishing comparable to the Ford Motor Company's recent purchase of its British company's shares may shake the British publishing world . . to the core."

Perhaps these prognostications are a little too defeatist. At least two major British publishing concerns (one of them being Pan Books) have recently resisted tempting American offers. Sections of the trade seem to be aware of the dangers inherent in this American threat to British culture. But this is not a matter to be left to the book trade alone. The maximum publicity and protest (in the press, on the platform, in Parliament) can help to stem this latest American offensive in the battle of ideas.

Musical Exchanges

Cultural exchange in the musical field has recently been two-way. Two Soviet composers, Boris Lyatoshinsko and Kirill Molchanov, spent a fortnight in Britain as guests of the Composers' Guild of Great Britain; and the British conductor Charles Mackerras has conducted British music in Czechoslovakia and Hungary.

The Soviet composers, on a return visit arranged by the composers' organisations of the Soviet Union and Great Britain, saw Verdi's *Falstaff* at Covent Garden, Verdi's *Nabuco* by the Welsh National Opera at Sadler's Wells, *King Kong* and *West Side Story* in the West End. There were no productions of operas by British composers for them to see. They met composition students at the Royal Academy of Music and Oxford University and heard programmes of their works. The Park Lane Group gave a concert of modern piano music and songs. At a concert of the Royal Philharmonic Society the programme included a work by Lennox Berkeley. That was all the live performances of British works available, but they heard tape-recordings at the B.B.C. of others.

Great friendliness was shown to them by our British musicians, and they had a very interesting stay with visits to Cambridge, Oxford and Stratford-on-Avon.

Charles Mackerras, on his return from conducting Walton and Britten in Prague and Budapest, insisted in an interview in *The Times* that there are now no political, doctrinaire shackles upon music in either of the two countries he visited. "One gets bags of rehearsals. . . . The composer is very much fostered. . . . Whatever else may have had to suffer there in the past, musicians have a jolly good time." About music in Britain, Mackerras said: "Not many people here are interested in modern music, and to those that are it's as much as a composer's life is worth not to write twelve-note music (unless he happens to be Britten)."

In case you don't know, "twelve-note music," technically known nowadays as "serial dodecaphony," is music written according to a prescription concocted in 1921 by the Viennese composer Arnold Schoenberg. Shostakovich has recently described this method of composing as "dogmatic, and like every dogma it is dry, lifeless and barren." For this Shostakovich has been taken to task by *The Times* music critic.

At the same time the West European avant-garde composers of the 1960's, who espouse the cause of indeterminist electronic music, have declared solemnly that twelve-note music is outmoded. This must have been a great blow to the twelve-note composers, who have consistently put themselves forward as the banner bearers of a method of musical composition which is destined to become universal for decades, if not centuries, to come.

The Times music critic, painfully anxious not to be behind the times himself, warns us in the same article in which he castigates Shostakovich: "Not that one can damn musical indeterminism out of hand." This latest product of West European musical avant-gardism enthrones chance in the place of human creative capacity. The process may involve the use of dice, flaws in the texture of paper, the shuffling of a pack of cards, the

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chance playing simultaneously of two or more tape-recordings of musical and other sounds, or any other means of excluding from the composer all responsibility for the choice of the sequence of notes in his compositions. The resulting "aleotoric music," as it has been named, is the negation of twelve-note music, with its strict rules. But one must keep up with the musical Joneses, at the cost of throwing away all semblance of musical theory or aesthetic, all hint of principle, all serious consideration of the basic characteristics of musical art.

Do these musical aberrations matter, even when they are supported from Printing House Square? They certainly do, if Charles Mackerras, a sensible and successful practising musician, is right. And it is the fact that publishers in Western Germany and Austria are putting the two tails of their shirt on both twelve-tone and aleotoric music, and excluding from their catalogues and from radio stations, where their nominees are in positions of authority, all other music by composers of today, unless it is the most inane or pornographic types of popular music.

Such is the freedom of the composer today in the West!

British Agriculture

Two beliefs which die very hard, and not only among right-wing people, are that British agriculture is hopelessly inefficient, compared on the one hand with agriculture in other countries, and on the other with other industries in Britain. The implication is clear; resources which are put into our agriculture are partly wasted. We would do better to put labour and capital into manufacture which we are good at, and import food from the large number of countries which can show us a thing or two about food production.

These illusions are very neatly confuted by figures given in an I.L.O. book *Why Labour Leaves the Land* (I.L.O. Geneva, 13s. 6d.).

The proportion of the national wealth derived from agriculture is compared with the proportion of the population engaged in agriculture—providing an indication of how far agriculture is, so to speak, pulling its weight in the national economy. For the United Kingdom, the ratio is precisely 1.0. In other words, workers in agriculture produce just about as much of the national wealth per head, as do workers in the other industries, on the average.

Anyone who finds this surprising will probably be astounded to learn that of the countries listed, only one, New Zealand, has a ratio greater than 1.0 (1.4). The Netherlands has 1.0, Denmark and Belgium come next with 0.8. France has 0.5, West Germany 0.4, U.S.A. 0.4, India 0.3. The list includes twenty-five countries, thirteen in Europe, but none of the socialist countries.

Some slight adjustment in the U.K. figures would be needed for agriculture alone, because the product includes "forestry, hunting and fishing"—but fish would amount for only about 2 per cent of the total.

The figures, nevertheless, ought to dispose once and for all of the idea that British agriculture should be closed down, or restricted, because of its relative inefficiency. We are just about the last country in the world to which the argument could be applied, if indeed it were valid anywhere.

Soviet Psychology

The *Observer* recently published a series of articles by Arthur Koestler on psychological and allied research in the United States, which were remarkable for confusion of thought, if not sheer ignorance, as correspondents subsequently pointed out.

The first, "Pavlov in Retreat," might more properly have been headed "Behaviourism under Fire". It is usually supposed that Behaviourist psychology —which is based on the view that all human behaviour can be explained in terms of mechanical response to stimuli—was inspired by Pavlov. This is by no means the case. Behaviourist psychology has developed along its own lines, mainly in the United States, and though it makes great use of the "conditioned response", does not understand this in the Pavlovian sense, but only within the framework of its own limited outlook.

Leading Behaviourists maintain that Pavlovian theories have exercised very little influence. Soviet psychologists, who have developed these theories in relation to psychology and education, strongly criticise and reject Behaviourist ideas. On the other hand, they have, in the course of extensive research, laid new foundations for the development of psychology as a science so that the Pavlovian viewpoint, far from being in retreat, has never been more in evidence.

There is no more actual question on the agenda of scientific advance than that of reducing psychology, which has so wide a bearing in many fields, to a science; of replacing the many "schools" of psychology, such as those of Freud and Jung, Gestalt and Behaviourism, Psychometry ("intelligence" testing) and so on—which start with quite different ideas, use widely differing techniques and reach startlingly contradictory conclusions—by a single approach. It is the strength of Soviet psychology that it is working

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in this direction, eliminating preconceived ideas and basing theories on the findings of experimental research.

This approach has recently become better understood in the United States, in particular since the visit there last year of the distinguished Moscow psychologist, Professor A. R. Luria, who gave many lectures to specialist audiences. Describing one of these an American correspondent wrote that a congress of 2,000 psychologists was held spellbound for two hours by a brilliant account of a single aspect of Pavlovian reflex theory. Translations of related educational work are now available in America, some officially sponsored—as it has been wryly remarked, Sputnik I marked a turning point in American education and since 1958 close attention has been paid to developments in the Soviet Union. One monthly journal, *Soviet Education*, published by the International Arts and Sciences Press, prints straight, without editing or comment, articles selected from various Soviet educational journals.

It was, however, in London that the pioneer symposium of the work of Soviet psychologists was first published in 1958—*Psychology in the Soviet Union*, edited by Brian Simon, which included a paper specially written by Professor Luria; some research of his was published in 1959, *Speech and the Development of Mental Processes in the Child*, edited by Joan Simon. But though these have attracted attention, there has been comparatively little interest here. It is therefore welcome that lectures delivered by Professor Luria at London University in 1958 should at last have achieved publication under the title *The Role of Speech in the Regulation of Normal and Abnormal Behaviour* (Pergamon, 50s.).

The medical correspondent of *The Times* devoted a double column article to welcoming this publication on June 2nd, under the subheading, "Fascinating investigations by Soviet psychologists", noting the quality of methods of research and the light thrown on mental development by study of the development and functions of speech in childhood. It is to be hoped that the book will be widely read. The exposition is comparatively simple and there could be no better antidote to the arid ideas propagated by "intelligence" testing which do so much to hinder both educational advance and the development of a science of psychology.

A Marxist at the Court of King Arthur

When "many noble and dyvers gentylmen of thys royaume of Englond camen and demaunded" of Caxton that he should print the history "of the moost renomend Crysten Kyng, fyrst and chyef of the thre best Crysten, and worthy Kyng Arthur, whych ought moost to be remembered emonge us Englysshemen tofore al other Crysten Kynges" his first reaction was cautious. He replied that "dyvers men holde oppynyn that there was no suche Arthur and that all suche bookes as been maad of hym ben but fayned and fables".

His patrons, however, were insistent, and under their pressure Caxton agreed to publish a manuscript which he had at hand, the famous "Le Morte d'Arthur" of Sir Thomas Malory.

There is still, today, no definite evidence of the existence of King Arthur, but there is very, very much information on the gradual growth of the Arthurian legend, the Arthurian Cycle, in successive stages of British, and of French society.

The Marxist historian, A. L. Morton, has written a fascinating essay tracing the growth and development of the Arthurian Cycle from its pre-feudal origins through its adaptation and moulding in the days of growing and then of decaying feudalism.

This is now available under the title *The Matter of Britain* (Central Books, 1s. 6d.), in pamphlet form as an offprint of the *Zeitschrift fur Anglistik und Amerikanistik*, where it was first published in the German Democratic Republic.

Rotten Burghs v. Rotten Boroughs

Comrade William Gallacher, having read our note on "Election Campaigns—Old Style", in our issue of April 1961, is determined to prove that the rottenness of the old Scottish Burghs was just as rotten as the rottenest rotten Boroughs that old England could produce.

He writes to us of a notorious pre-reform "election" at Rothesay, where the member for Bute was chosen. When the meeting was convened there was only one elector present. The Sheriff and his clerks were there with all the necessary documents. The solitary elector moved himself for the chair, he seconded the motion, and there being no one otherwise minded, occupied the chair and opened the proceedings. He asked for nominations, moved himself again, seconded his motion, and, there being no other nominations, declared himself the duly-elected Member of Parliament for Bute. After the papers had been properly signed, he brought the proceedings to a close in a thoroughly democratic manner by moving a vote of thanks to the chairman for the able way he had conducted the business.

The story is taken from Peter McKenzie's *Reminiscences of Glasgow*, which we thoroughly recommend to our readers, particularly the first volume. This includes amongst other things a very fine account of the trial and tribulations of Thomas Muir and other early courageous Scottish Radicals.

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CAPITALISM'S ECONOMIC PROSPECTS

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I. INTRODUCTION

II. THE ACTUAL COURSE OF ECONOMIC DEVELOPMENTS IN THE CAPITALIST COUNTRIES SINCE 1945

III. MAIN FACTORS AT WORK:
Deepening of the General Crisis : Socialism and Imperialism : Contradictions within the Sphere of Imperialism : Imperialism and National Liberation : Contradictions Between the Imperialist Powers : The Working Class in the Main Capitalist Countries : Further Development of State Monopoly Capitalism : Physical Destruction.

IV. SUMMARY GENERAL ANALYSIS

APPENDIX

I. INTRODUCTION

This report has been prepared in response to the letter from our General Secretary, Comrade John Gollan, to the Economic Committee, dated January 25th, 1960.

In asking the Committee to assist in "the further development of our picture of where the capitalist economy is going" Comrade Gollan made the point that "the difficulty which confronts the average comrade is that in the fifteen years since 1945, he has not seen a crisis of the nature of 1930-31, and this lends substance to the theories of the people who say that capitalism has changed".

He suggested that the theme of the report should be both the general crisis of capitalism and the cyclical crises of capitalism during this fifteen-year period.

We have adopted this suggestion. The problem to which we have addressed ourselves might, in fact, be briefly summed up in these terms:

(a) We know, on the one hand, that the great economic crisis of the 1930's, which was a *cyclical crisis of capitalist overproduction,* and the ensuing Great Depression, were particularly severe because they took place under conditions of the deepening of the *general crisis of capitalism.* The severity of this cyclical crisis, in turn, served further to accentuate the general crisis; the two were intertwined.

(b) In the period since 1945 it is abundantly clear that the general crisis of capitalism has reached a stage very much more advanced than was the case prior to 1939, and that it continues rapidly to deepen.

(c) Why then, contrary to universal, or wellnigh universal post-war expectations, has the period since 1945 not seen a world economic (cyclical) crisis of anything like the proportions of the 1930's?

In approaching the question in this way, the Committee was led into a considerable discussion around general theoretical questions as to the nature of the general crisis and of cyclical crises. Some of the material produced by the Committee for purposes of this general discussion is shown in the Appendix to the present document.

This discussion helped to deepen our understanding of our basic theory on these questions. It helped to open our eyes to some of the com-

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plexities involved, in particular as regards the interconnections between the general crisis and cyclical crises. It brought us to the truth which is old, but none the less valuable, and perhaps worth restating here as a preface to our report.

It is that Marxist theory, the theory of the general crisis and of cyclical crises, supplies us with the tools for analysing concrete situations, but it does not supply us with ready-made answers. It does not enable us to arrive at useful results by a process of minimum effort, that is by arguing crudely from one situation to another, relying just on broad similarities between the one and the other. The facts as they present themselves before us, the real situation has to be studied in all its major aspects.

We have thus been faced with a very large task of analysis. The Committee has devoted considerable energy to it, and we hope that the results will be of use to the Party. But we must say frankly that this report can be regarded only as a preliminary one. Much more work needs to be done on a number of aspects of the questions raised. This is even more to be insisted on, when we take account of the rate at which the general crisis of capitalism continues to develop.

The report deals first of all, under *Section II* with "The actual course of economic developments in the capitalist countries since 1945". For brevity's sake this section is confined to an analysis of the course of industrial production in the major countries.

In *Section III* we discuss "The main factors at work". These we have grouped under three main headings, namely—"The Deepening of the General Crisis of Capitalism"; "The Further Development of State Monopoly Capitalism"; and "Widespread Physical Destruction". The "Deepening of the general crisis" we have dealt with under a number of sub-headings, viz., Socialism and Imperialism; Contradictions within the sphere of Imperialism; Imperialism and National Liberation; Contradictions between the Capitalist Powers; The Working Class in the main Capitalist Countries.

In *Section IV*, we conclude with a "Summary General Analysis". In this, we bring together the main threads of the argument as developed in the previous sections.

Finally, we have included, as an *Appendix*, some general material on the nature of cyclical crises under capitalism and of the general crisis of capitalism.

II. THE ACTUAL COURSE OF ECONOMIC DEVELOPMENTS IN THE CAPITALIST COUNTRIES SINCE 1945

It is true, to repeat the phrase in our Introduction, that there has not been, since 1945, a crisis of the nature of 1930-31. But this does not mean that during this period the capitalist economies have followed a path of smooth and uninterrupted growth. On the contrary, the fundamental contradiction between productive power and the actual relationships of production of the capitalist system has continued to express itself in breaks, and recessions, interrupting the process of the growth of production.

Table I sets out the movement of the United Nations Index of Industrial Production in the non-socialist world sector during this period.

The first "normal" cycle of the capitalist economy in the post-war period can be regarded as starting in 1947. Prior to this, in the immediate aftermath of the Second World War, industrial production naturally declined in the capitalist countries as a result of the cutting back of armament production. But by 1947, the transition from a war-time to a peace-time footing had, broadly speaking, been effected.

It must be noted. however, that at this stage the position of the economies of the various countries differed widely from one to another. At the one extreme, in the U.S.A., Canada and Sweden, countries which had not been damaged during the war, industrial production was already at a higher level than that achieved at the peak of the last pre-war economic cycle, that is in 1937. In the U.K., the pre-war level of production had just been regained. But in France and Italy this was still not the case, and in West Germany and Japan production was far below pre-war.

The United Nations Index (Table I) rose in every year from 1947 to 1957. It will be noted, however, that its rate of growth was not at all even. In 1949, 1952 and 1954 in particular, the increases recorded were particularly small.

In 1958, for the first time, the Index fell. In 1959 it rose again, and this increase continued at any rate during the first part of 1960. By the end of the year it is clear, from incomplete data, that the rate of growth had slowed down considerably, but at the time of writing, it is not possible to say for certain whether at the moment this Index is still rising somewhat, or whether

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a new phase of stagnation or absolute decline has set in again.

The slowing down of the growth of production in 1949, 1952 and 1954, was due to declines in certain countries which were not, however, general throughout the whole of the capitalist world sector. What distinguishes the situation in 1958, however, was that on this occasion there were simultaneous recessions in all the major capitalist countries.

TABLE I
U.N. INDEX OF INDUSTRIAL PRODUCTION
(excludes the Socialist countries)

	Total Index 1953=100	Year-to-Year Changes (per cent) Total	North America	Europe
1947	68	–	–	–
1948	73	+ 7	n.c.	n.a.
1949	74	+ 1½	— 6½	+ 11½
1950	84	+ 13½	+ 15½	+ 10½
1951	91	+ 8½	+ 8½	+ 9½
1952	93	+ 2	+ 3½	+ 1
1953	100	+ 7½	+ 8½	+ 5
1954	101	+ 1	— 6	+ 9
1955	112	+ 11	+ 13	+ 10
1956	117	+ 4½	+ 3	+ 4
1957	121	+ 3½	+ 1	+ 5
1958	118	— 2½	— 7½	+ 2½
1959	130	+ 10	+ 12½	+ 6
1960 (Jan–June)	137	+ 6	+ 4	+ 11½

The extent of the recessions suffered in different countries is brought out more clearly in Table II. Here a word of explanation is necessary.

It will already be clear from Table I that the severity of the recessions encountered since the Second World War has been relatively limited, both in terms of the fall in production, and in the duration of the fall in each case. Moreover, there have not been prolonged depressions of the character of that experienced in the 1930's. Under these circumstances, in order to bring out the facts more clearly it is useful first of all to consider the main individual countries and not simply, as in Table I, the main groups of countries. Secondly, in Table II, changes in industrial production are shown on a quarterly basis, because when recessions are short their full extent is obscured if we use only annual figures, which "average out" part of the movement which we want to examine.

In Table II, then, Column A shows for each country the number of quarters of a year during which industrial production fell; Column B

TABLE II
RECESSIONS IN THE POST-WAR PERIOD
U.S.A. AND WESTERN EUROPE

	Recessions 1948–9		Recessions 1951–3		Recessions 1953–4		Recessions 1957–8	
	A	B	A	B	A	B	A	B
		%		%		%		%
U.S.A. ..	5	7.3	–	–	3	8.6	6	12.1
U.K.	–	–	4	7.8	–	–	11	1.7
West Germany	–	–	1	1.2	–	–	1	0.7
France ..	1	1.5	4	5.0	–	–	4	2.6
Italy	1	1.1	2	4.0	–	–	1	1.4
Netherlands ..	1	1.2	3	6.7	–	–	3	4.7
Belgium ..	3	7.2	5	8.3	–	–	4	10.3
Sweden ..	–	–	4	6.0	–	–	5	3.3

Source: *Banca Nazionale del Lavoro*, June 1960.

NOTE: The groups of years in the headings of the columns in this table refer to the years on which the recessions mainly centred. In certain cases the recession in a particular country started before, and/or finished after, the years actually shown. This is particularly the case for the U.K. in relation to the recession which overtook the capitalist countries mainly in the years 1957-58.

shows the percentage fall in production during those quarters.

The 1948-49 recession, it will be seen, was virtually confined to the U.S.A. The only other country seriously affected, of those shown in the table, was Belgium.

In 1951-53, however, the recession left the U.S.A. unaffected, but industrial production fell in all the major West European countries. In the most serious cases this recession lasted for about a year, and production fell by up to 8 per cent.

In 1953-54, the recession was again confined to the U.S.A., and was rather sharper, though less prolonged, than that suffered in 1948-49.

In 1957-58 the recession in the U.S.A. was the most serious it had experienced in the post-war period. There were recessions also in all West European countries, and from this point of view, i.e. the simultaneous onset of a recession in all the major capitalist countries, the 1957-58 recession was the most serious encountered since the end of the war.

But we must immediately qualify this by pointing out that in most of the West European countries this recession was actually less serious than that encountered in 1951-53. With the exception of Belgium, the Common Market countries, i.e. West Germany, France, Italy and the

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Netherlands, suffered less on this occasion than they had in 1951-53. This was also true of Sweden.

On this occasion the U.K. had the peculiar experience of suffering an extremely prolonged period of gradual decline in production, lasting for nearly three years.

Tracing events since the 1957-58 recession, the most important development has been the emergence of a new recession in the U.S.A., its fourth since 1947. If we disregard the period of the steel strike in America during 1959, industrial production rose in that country from the second quarter of 1958 up to the first quarter of 1960, i.e. for one and three-quarter years, but then it started declining again, and the fall still continues as we write.

Developments in the U.K. have been only slightly less favourable. Production at last started rising again in the last quarter of 1958, and rose thereafter up to the second quarter of 1960, i.e. over a period of about one and three-quarter years. In the third quarter of 1960, however, output ceased to rise, and in the last quarter it appears to have fallen.

Taking the data up to the third quarter of 1960, at that stage production was still rising in certain West European countries, e.g. Italy, Sweden and France. In others, however, it either levelled off, or even declined somewhat, e.g. West Germany, Netherlands and Belgium.

The general picture is, therefore, that the U.S.A. has moved into a new recession after only two years of recovery from the previous ones. This is true also of the U.K. though so far the new phase here is rather in the nature of a new stagnation perhaps, than of a clear-cut recession. Simultaneously there has been a new check to the rate of growth of production in Western Europe in general, though it is not yet possible to say whether this will be particularly serious or not.

III. THE MAIN FACTORS AT WORK

For present purposes the effects of the Second World War can be grouped under three main headings:

1. *Deepening of the General Crisis*

Following the war the general crisis of capitalism reached a qualitatively new stage. It has continued to deepen in the years that have followed and a new stage again can now be distinguished.

Naturally this deepening of the crisis, affecting as it does all aspects of the working of imperialism, creates more difficult conditions for the operation of capitalist economy as such. But to say this is to express a general "long-term" truth, whereas we are specifically concerned with the period 1945 to 1960, and the years immediately ahead. Here then we have to look at the *concrete* ways in which the deepening of the several contradictions of imperialism have reacted on the economic situation, and to see how these effects have changed during our period.

2. *State Monopoly Capitalism*

In the main imperialist countries the structure and characteristics of capitalism have undergone certain changes along the lines of a further development of state monopoly capitalism. This we have isolated as a separate question for discussion, for fairly obvious reasons. We need to see how far, and in what ways this development, the increased activity and interventions of the state machine, etc. have affected the working of the capitalist economy.

3. *Physical Destruction*

This must be considered as a separate factor because the effect of material destruction during a war on the capitalist production cycle is comparable to that of an economic depression. It eliminates productive capacity and stocks of goods, and mitigates, for the time being, the basic economic contradiction between productive power and consumer power. It prepares the way, therefore, for a boom.

Two main points arise here for analysis, Firstly, during what period, in general, can it be said that this factor has continued to have a major effect on the course of the capitalist economies? Secondly, what differences are to be seen in the position of different countries in this respect?

The general effect was on the one side to raise the contradiction between socialism and imperialism to a new and qualitatively higher level, and on the other to deepen the fundamental contradictions within the system of imperialism itself. We discuss below in detail the way in which these general developments have shown themselves during the post-war period, and we trace their effects on the course of economic developments within the main capitalist countries.

Having indicated briefly some of the main points on which our analysis will turn, we propose now to say something more under each of our headings, as above.

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1. DEEPENING OF THE GENERAL CRISIS

The Second World War resulted in the crushing military defeat and complete political and ideological discrediting of fascism. Fascism represented the most extreme, brutal and aggressive form of imperialism, and had as its declared mission the destruction of socialism. Its defeat, by an alliance of all socialist and other progressive forces throughout the world could not but lead to a general weakening of imperialism, and to the strengthening of socialism.

The general effect was, on the one side, to raise the contradiction between socialism and imperialism to a new and qualitatively higher level, and on the other to deepen all the contradictions within imperialism.

Socialism and Imperialism

In contrast with pre-war, socialism became a matter no longer of a single country, but of a whole world system of states.

This had as its first obvious consequence the fact that the physical area of the world and the part of its population within the grasp of imperialism was sharply reduced. But, still more important, the existence of a world socialist sector represents in a living form, and on a substantial scale, the root and branch alternative social system to imperialism.

The imperialists would tolerate willingly neither the shrinking of the area open to their exploitation, nor the existence of a new society destined to replace their old discredited system. Under U.S. hegemony, therefore, they launched the cold war, hoping to profit by their monopoly at this stage of the A-bomb, and counting on the relative economic weakness of the socialist countries. These countries had suffered appalling destruction and loss of life during the war, and they faced the mountainous problems of reorganising on new lines economies which were in almost all cases extremely backward.

At this stage the economic effects of this, the basic contradiction between socialism and imperialism, were to be seen mainly in terms of the activities of the imperialists.

Massive rearmament programmes were launched in most of the main capitalist countries, "hot" wars were started on a limited scale, as in Korea, and preparations were made with the *ultimate* aim of achieving what Hitler had failed to do, eliminate socialism by force of arms.

Capitalism was reconstructed in Western Europe and Japan with U.S. money and under U.S. direction. At the same time, the U.S.A. made use of its favourable post-war situation to establish its political and economic power on an entirely new scale within the non-socialist world as a whole, at the expense of its imperialist rivals.

Trade with the countries now constituting the socialist world sector was cut down to a minimum, in order to hinder their economic reconstruction and to try to weaken their military defences.

The task in front of the socialist countries at this stage was to consolidate their position, while at the same time beating off direct imperialist aggression as in Korea, and building up the necessary military defence against all imperialist threats. Thus they were not, initially, in a position to render direct economic assistance on any great scale nor to undertake a general expansion of their trade with these countries. None the less the *political* inspiration of the successful anti-capitalist and anti-imperialist revolutions achieved by the working people of the socialist countries provided a tremendous stimulus to the development of the national liberation movements.

Despite the tremendous prestige of the U.S.S.R., China and the other socialist countries in the post-war period, it is nevertheless true to say that in the main capitalist countries, for the mass of the working people capitalism was on trial in terms rather of its own record of unemployment, war and fascism, than of the concrete achievements of the socialist countries at that stage. Under cover of, indeed as a crucial part of, the cold war, the bourgeoisie of the imperialist countries launched a general political counter-offensive against the working class movement and against socialism. A tremendous propaganda was developed, depicting the socialist countries as preparing to launch war. This achieved, for the time being, definite successes in disrupting the movement, and in weakening the fight for immediate demands and for socialism.

Already in this phase, however, despite all its supposed military and economic advantages, imperialism began to encounter a growing and stubborn resistance to its main line of policy, the cold war. A powerful world peace movement began to emerge, composed not only of the socialist countries but also of growing social forces within what imperialism regarded as its own camp.

It is now apparent, as signalised in the Statement of the Eighty-One Communist Parties, that a new stage has been reached in the post-war period.

All the attempts of imperialism have failed to prevent the consolidation and the rapid all-round development of the socialist world sector. More than that, "the time is not far off when socialism's share of world production will be greater than that of capitalism. Capitalism will be defeated in *the decisive sphere of human endeavour, the sphere of material production*". (Statement of the

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Eighty-One Parties—our italics). The world socialist system is the decisive factor in the development of society.

The peace alliance of the socialist countries, the growing number of peace-loving countries in Asia, Africa and Latin America, the international working class, the national liberation movements, the world peace movements and the neutral countries—this alliance can now curb the attempts of the imperialist aggressors to start a world war.

It is clear that, in economic terms, the biggest change in the situation will be effected when the imperialists have been forced to begin to take the road proposed by the U.S.S.R., of general and complete disarmament.

This, however, is not yet. In other respects the economic effects of the new stage are already beginning to be felt.

Thus, as concerns East-West trade in general, the previous downward trend has been halted, and a general upsurge is taking place.

Outside the U.S.A., the other capitalist countries, almost without exception, are now paying the most serious attention to the development of their exports to the socialist countries.

The rapid economic development of the world socialist sector is also being reflected in a great intensification of its trade exchanges with the "under-developed" countries. The socialist countries are buying greatly increased quantities of primary commodities, wool, coffee, sugar etc. On the other side they are providing the "under-developed" countries with a widening range of products, but particularly with capital equipment for the development of their economies. It is now a common occurrence that complete factories and plants are supplied in this way. The socialist countries are also making available their scientific and technical know-how and skills.

But they are going beyond simple trade exchanges, and are providing substantial credits to the "under-developed" countries, at low rates of interest and with long repayment terms. These are exactly what these countries require. They can obtain the equipment and the technical assistance they need to develop their economies, and are therefore already in a better position to repay such credits by the time these fall due for settlement.

The development of the fight for peace, and the advances of the socialist countries in "the decisive sphere of human endeavour" also have their impact on the working people within the imperialist countries. The fight of the working people for their demands is undoubtedly strengthened by the concrete achievements of socialism, and this is becoming an increasingly important factor in the class struggle in the imperialist countries, and therefore in the development of the economic situation.

Contradictions within the Sphere of Imperialism

Imperialism and National Liberation

It was of the economic essence of imperialism that it established a system of super-exploitation of the majority of the world's population by the metropolitan countries. The economies of Asia, Africa and Latin America were condemned to a special subject role, that of providing raw materials for the imperialist countries, buying their more elementary manufactured goods, and supplying a labour force for particularly ruthless exploitation by capital from the imperialist countries.

The carving out of political empires, through the establishment of direct (or indirect) control by the imperialist countries, represented a superstructure erected to introduce, maintain and enforce this system of super-exploitation.

It is natural that the first main objective of the peoples of the colonies and semi-colonies when they rise in revolt against imperialism is to establish their political independence. This does not, at one stroke, change the character of their economies, but it is the essential pre-requisite for such a change.

In the period since 1945 the national liberation struggle has swept aside colonial rule in one country after another, until the final elimination of colonialism from the face of the world is now a matter of the near future. Hand-in-hand with the struggle for national liberation has gone the demand for the national economic development of each country. Here it is hardly necessary to stress the inspiration provided, alike for the political and the economic struggle, by the Russian and Chinese revolutions.

The problems of economic development are many, complex and difficult to resolve. In the typical case there is one sector of the economy which is commercialised, controlled in the main directly or indirectly by foreign capital, and organised essentially to export primary commodities to the imperialist countries. The remainder of the economy, in which probably the majority of the people are occupied, has been held back at a pre-capitalist level, feudal or even more primitive.

Imperialist economic relationships block any way forward from this situation. The accumulation of capital, which would normally provide the basis for more progressive economic development, takes place almost entirely to the benefit of foreign capitalists, who either take their profits home, or use them for the opening up of the exploitation for export of more of the raw materials of the

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unhappy country. The commercialised sector of the economy is a mere adjunct to the world market, i.e. is entirely subordinate to economic developments in the imperialist countries which buy the primary commodities it supplies. The prices of these commodities and the volumes exported depend entirely on the ups and downs of economic activity in the imperialist countries.

Economic Effects of the War

The economic effects of the war varied considerably from one primary-producing country to another. In some cases it provided a certain stimulus to the production of raw materials etc., and also to the development of some local manufacturing industries. In others the main effects were drastically to reduce the supplies of food and raw materials.

However, in one respect the war had a generally favourable upshot to the extent that in the immediate post-war period the prices of primary commodities were higher in relation to the prices of manufactured goods than had been the case before the war. This improvement in the "terms of trade" of the primary producing countries was further accentuated, for the time being, by the commodity boom resulting from the Korean War.

It was also the case that the war had led to an increase in the foreign exchange reserves of many of these countries. This was true, for example of India and Egypt. These, and other countries in the then British Empire, had been obliged to provide the United Kingdom with all sorts of goods and services during the war on credit. These credits mounted up, and constituted a substantial fraction of the famous "Sterling Balances". The exchange reserves of the Latin American countries also increased as a result of the war.

It would be wrong to exaggerate the effect of the improvement in the "terms of trade", and of this accumulation of foreign exchange reserves, on the position of the under-developed countries. At best these were factors tending to mitigate to a certain extent and for a certain time the fundamental difficulties of their economic situation, and the damage they had suffered in many cases during the war. It would be particularly misleading, moreover, to suggest that these factors enabled them to start off on a rapid course of independent economic development.

None the less, these factors had a certain, not unimportant, effect *from the point of view of the capitalist countries*. The markets for their exports were larger than they would otherwise have been, because the under-developed countries were, within the limits stated, better able to pay for imports.

The Korean War boom, however, marked the high-water mark of the improvement in the terms of trade of the primary producing countries. Thereafter they began to deteriorate again, and the 1957-58 recession in the capitalist half of the world was in fact preceded by a notable downward trend in the prices of primary commodities. This decline has continued, more or less unbroken, right through to the present time.

There are two main reasons for this. The first is technical, namely that because of the development of many synthetic raw materials, greater economy in the use of materials, and the more and more elaborate working-up of materials in the process of manufacture, the demands of the capitalist countries for raw materials from abroad have lagged behind the growth in their output of manufactured goods. While commodities such as oil are important exceptions, *in general* the basis of the imperialist "international division of labour" (raw materials exchanged for manufactures) is becoming in some spheres technically out-dated, is tending even to wither away.

At the same time there has taken place the typical capitalist process of a general tendency towards the overproduction of many important primary products. So far as agricultural products are concerned, for a long time now the world market for a number of commodities has been under the shadow of huge American surpluses. Generally, the position of the primary producing countries has also been weakened by the elaborate governmental schemes adopted in Western Europe to protect domestic agriculture, often a very high-cost domestic agriculture, from foreign competition.

The fall in the prices of the exports of the primary producing countries, and to some extent the stagnation or decline in the actual volumes exported, have reacted back on the exports of the capitalist countries. If the primary producing countries are short of foreign exchange, they have no option but to cut their imports.

Since 1957-58, therefore, the most notable feature of international trade in the non-socialist sector has been the fact that increases in trade have been achieved mainly as between the capitalist countries themselves. Particularly in terms of value, trade between the capitalist countries and the primary producers has lagged far behind. There is, in effect, a weakening and a narrowing of the capitalist world market.

Export of Capital

As to the export of capital from the imperialist countries, sharp contradictions arise here also. The export of private capital for the exploitation

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of the "under-developed" countries naturally comes into collision with the aims of the national liberation movement. The imperialist governments, and notably the U.S.A., try to overcome this problem in a number of ways. The first is to seek to conclude special treaties with the governments of the newly-liberated countries, guaranteeing foreign capital against expropriation etc. Steps are also taken to associate local capitalists with foreign enterprises, where conditions make this possible. The export of capital is also closely tied up with the creation of military alliances and blocs. Of course these tactics are most successful where the government of the country concerned is of a reactionary, or at least compromising, character.

But the use of governmental funds has also assumed far greater importance since the war. These are made available either directly, as for example, by the U.S. government, or through the International Bank created since the war. These public funds are used for a number of purposes.

To a large extent the U.S. government has used such moneys directly for the purposes of buying and arming members of its various military blocs. Again the U.S.A. has financed by such means the export of large quantities of its own agricultural surpluses, and more generally the capitalist countries now devote considerable sums to credits and credit insurance to promote exports.

The International Bank has never made any bones about the fact that its loans are intended to preserve the "under-developed" countries for capitalism. It is particularly interested in projects which will prepare the way for the arrival of foreign private capital.

In general terms the imperialist countries use the export of both private and public capital as a means of maintaining the economic system of capitalist exploitation, and of trying to keep the countries concerned in their political and military camp, or at least out of the socialist camp!

To some extent the fact that political independence has been won enables the newly-liberated countries to obtain capital on more favourable terms than any which existed in the past, and to use it in such a way as to contribute to, rather than hold back, the development of their national economies. However, it has to be stressed that this development is still proceeding at a painfully slow pace in most cases; the gap between the capitalist countries and the under-developed countries is widening and not closing up, and the growth of production, notably of foodstuffs, often lags behind even the growth of population.

Furthermore, the exports of capital from the capitalist countries have not been large enough even to counter balance the effects of the deterioration in the terms of trade of the under-developed countries. While capital exports have played a certain role in boosting exports, particularly of machinery etc., from the capitalist countries to these countries, the situation has nevertheless been reached, as indicated above, that trade between the capitalist and primary producing countries is now tending to stagnate.

To achieve their political and economic aims, however, it is now more important than ever for the imperialist countries to keep up the flow of capital to the under-developed countries, because the socialist countries are now extending economic aid to these latter on an already large and steadily increasing scale.

But the problems of imperialism continue to increase. First of all, the state of overproduction of very many primary commodities makes capital exports to these countries less attractive. Simultaneously, in the case of the highly important oil industry, the new royalty-sharing arrangements which the oil companies have had to accept reduce their profit expectations.

Secondly, the U.S.A. and the U.K., which (with France) are the largest capital exporters, are both involved in balance of payments difficulties, which limit what they can afford in this direction. In the general interests of imperialism the U.S.A. is, therefore, demanding that West Germany should increase its capital exports. But West Germany will do this only to the extent that it suits its own interests, and, like the other imperialist powers, it is concerned to use capital exports to promote its own sales of capital equipment etc., in competition with those of its rivals.

Contradictions Between the Imperialist Powers

It is clear that in the post-war period there are two contradictory tendencies as concerns relations between the imperialist powers. On the one side the "Unity of the Free World", "Interdependence" etc., are continually sought, in order to try to mobilise the full force of imperialism against the socialist countries, and against the national liberation struggle. But on the other side the real conflicts of interest between the rival powers as continually break through. Some of these conflicts are never resolved, but smoulder on, while others are patched up for the time being, only to break out again later in perhaps a new form.

In the economic sphere the principal feature of the immediate post-war situation was the domination of the U.S.A. over its rivals. The main direction for the international capitalist economy was set out by the Americans. The other countries were

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in no position to resist, and in any case they received huge subsidies from the United States for the reconstruction of their economies along capitalist lines, and to shore up their weakened imperialist positions.

The United States accepted that the other countries should maintain, for a time, controls over their foreign trade and foreign exchange dealings which discriminated against U.S. goods. This it could afford to do, because its own economic predominance was in any case such that it had a huge surplus of exports over imports, which could be maintained only by the U.S.A. itself providing loans etc., abroad. But such controls were to be limited to what was necessary to enable the reconstruction of the other capitalist economies to proceed; the U.S.A. insisted from the outset that these controls must be steadily removed. In the case of the U.K. it insisted on the disastrous and ill-fated attempt to make the pound sterling convertible as early as 1947.

The U.S.A., of course, initiated also a vast programme of military expenditures, insisting that its allies do the same, and was responsible for launching the war in Korea.

Under U.S. leadership there were created various new international economic bodies, the O.E.E.C., I.M.F., International Bank etc. The ostensible general purpose of these was to lead the capitalist world back to the principles of non-discriminatory international trade, the removal of tariff and quota barriers, the free convertibility of currencies etc. Objectively, these aims, of course, coincided with the specific aims of U.S. imperialism, of breaking down all barriers to its power and further expansion.

This phase of what, for brevity's sake, we may call the general reconstruction and militarisation of the international capitalist economy under U.S. hegemony lasted through to the 1957-8 recession. This period 1945 to 1957-8, was marked by many difficulties for the imperialists, and crises of one sort and another. Yet there did appear to be a certain general improvement in the functioning of the international economy, and progress towards stability and economic harmony.

Since 1957-8, however, a different trend has begun to appear.

In the U.S.A. the fundamental economic contradiction between productive power and consuming capacity has now reached an advanced stage. The 1957-8 recession was the most serious so far encountered since the end of the war, and only a short-lived and anaemic recovery took place from this recession before a new one appeared. The long-term rate of growth of the U.S. economy has slowed down very markedly, and this is accepted as economic problem No. 1 by the new President. Simultaneously with this a large and persistent deficit has appeared in the U.S. balance of payments. The position of the U.S. dollar has therefore weakened, and the whole structure of international currency relationships in the capitalist half of the world has therefore become unstable.

The other side of the medal is the powerful economic recovery achieved by West Germany, its huge export surplus, and the very strong position now held by its currency, the Deutsche mark.

This shift in the balance of economic forces, primarily as between the U.S.A. and West Germany, but involving other capitalist countries as well, is threatening to break up the whole structure of relationships in the capitalist world as it developed in the period up to 1957-8.

Thus the United States managed in 1960 to build up again a large surplus of exports over imports, but proposes to raise this still further in order to wipe out its balance of payments deficit. Simultaneously, however, the U.K. has set an objective of expanding its exports to try to wipe out the heavy trade deficit it incurred in 1960, to a large extent because of the increase in the U.S. export surplus.

The lagging behind of trade between the capitalist countries and the primary producing countries means that the former must rely mainly on their trade with each other to achieve increases in exports. But they cannot, very obviously, each simultaneously improve its position at the expense of the others!

Economic Blocs

The previous policy, of removing restrictions to international trade, therefore begins to encounter increased difficulties. In Western Europe the two economic blocs have emerged, the Common Market and the Seven (E.F.T.A.). All efforts to reconcile these have so far failed, and each is proceeding with its own policy of reducing tariffs within its own area, thus creating an ever-increasing discrimination against the other blocs, and also against the U.S.A. and Japan.

The U.S.A. is seeking to counter this by a further round of general tariff reductions through the G.A.T.T., but negotiations on this have been going on ever since last autumn, without a solution being found.

Meantime, on another front, the governments of the capitalist countries are entering into sharper and sharper competition with each other in providing state financial assistance in various forms to promote each its own exports, at the expense of the others.

Sharp conflicts have also broken out as con-

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cerns monetary policy. The weakness of the dollar was aggravated in 1960 by the high interest policies adopted in the U.K. and West Germany, which pulled short-term capital out of the U.S.A. and across to Western Europe. When this erupted in speculation against the dollar and the "Gold Rush" of last October, the U.K. and West Germany were forced to back-pedal on interest rates. Calm was then restored for a time, until just recently the West German government decided to increase the value of the Deutsche mark by 5 per cent—enough to assist the German economy, but not enough to solve the problems of the dollar and the pound sterling. Thus a new wave of speculation started, and the dollar and the pound came under renewed pressure.

There is endless discussion of the need to establish new and higher levels of economic co-operation and co-ordination of economic policies between the capitalist countries. In practice, however, this comes up against the real conflicts of economic interest involved, and the difficulties of achieving any lasting settlement of these conflicts have become steadily more apparent.

These economic difficulties as between the major capitalist countries are closely intertwined with the whole cold war strategy of imperialism. The relative weakening of the position of American imperialism has led to its demanding first of all, that all barriers to its exports should be finally eliminated, so as to enable it to build up what it considers an adequate export surplus. Secondly, however, the U.S. government demands that while the level of military expenditures of the N.A.T.O. and other war blocs should be maintained and even increased, the American share of financing it should be reduced. The demand for a bigger contribution is addressed mainly to West Germany. But this country shows great reluctance to go very far in this matter, particularly as concerns any long-term commitment.

Political and economic considerations are again advanced by U.S. imperialism as to why the export of capital from the imperialist countries to the "under-developed" countries should be greatly increased; but the increase is to come, so the United States proposes, from West Germany and other countries. Here again the same conflict of interests emerges.

There is no doubt that all these contradictions between the imperialist powers would be much easier of solution if they still had the perspective of further economic expansion in the capitalist world sector. However, as indicated, since 1957-8 the whole prospect in this respect has deteriorated, with a lagging behind of the trade with the primary producers and the declining rate of growth of the U.S. economy. The perspective is now rather one of an increasingly bitter struggle for export markets. The general political interest of imperialism points, no doubt, to mutual accommodation and co-operation on economic matters; but the overall economic situation of imperialism now leaves much less room for compromises in this field.

The working class in the main capitalist countries

The fundamental division between the mass of the working class, and the working people as a whole on the one hand, and the tiny group of monopoly capitalists on the other, has widened still further in the main capitalist countries as a result of the war and post-war developments.

In the immediate post-war period, with the lessons of the 1930's and the war itself fresh in mind, this was seen particularly clearly by the masses. There was a great upsurge of working class and popular forces, and the political control of the bourgeoisie was seriously weakened in a number of countries, as witness the entry of the French and Italian Communist Parties into the governments of those countries, and the return to power of the Labour government in the United Kingdom.

To check and turn back this upsurge of the working people was one of the essential aims of the cold war. This was one of the main reasons for the use of American economic, military and political power for the purpose of bolstering up capitalism in Western Europe. Ideologically, the aim was set of rallying the people, objectively, to the defence of Western imperialism, by painting the socialist countries as the potential aggressors. At the same time an elaborate propaganda was developed to try to establish the idea that capitalism had reformed itself, was no longer the same, had now become a truly beneficial economic system, revolving round the so-called "Welfare State" etc.

In holding back the movement, in disrupting it, and in poisoning the minds of the workers both as concerns the socialist countries and as concerns the nature of capitalism and imperialism, the right-wing Social Democrats and trade union leaders have played a key role. None the less, this in itself has no longer been sufficient. It was necessary also to give, e.g. in the U.K., a new "face" to the Tory Party, to endow it with the trappings of enlightenment, social progress and the rest.

As we have already suggested, the general political counter-offensive of the bourgeoisie had no little success in weakening the struggle of the working class and popular forces for their econ-

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omic and social demands, for progress and for peace.

But the more the fight for peace develops, the more the true facts come through as to who is for peace and who is for war, the more obvious become the economic and social achievements of the socialist countries, and the deeper the questioning as to how far capitalism has really changed, the more the conditions have been prepared for the reversal of the bourgeoisie's counter-offensive, and for a new general forward surge by the working people.

There can be no question in our minds that *fundamentally* the real power of the working class in the capitalist countries has been greater as against the ruling class in the post-war period than before, because of the general weakening of imperialism on a world scale. But the extent to which this power of the workers is in fact used depends above all on the political line and leadership of the working class movement. The bourgeoisie has in fact understood the basic weakening of its own position, as is shown by its unending and skilful attention to the business of misleading the masses.

The effect of working class struggle on the economic situation necessarily depends first of all on how powerful the struggle is and how it is led.

If we take the question of employment, the general situation appears to us to have been broadly as follows. For propaganda purposes the ruling class now accepts full employment, or at least a high level of employment, as an important objective of economic policy. This is a concession, on paper, to a basic working class demand and aspiration. *Within certain limits,* working class struggle can force and has forced this concession to be honoured in practice by employers and the government. That is to say that the bourgeoisie does not now readily turn to the idea of mass unemployment as a way out of its economic or political difficulties.

But this is not to say *either* that conditions can never arise again under which mass unemployment appears preferable in the eyes of the bourgeoisie to any other "solution", *or* that capitalism now automatically guarantees a high level of employment.

The experience of the U.S.A. proves this last point conclusively. It may also be added that for example, in Italy, despite the rapid development of production over the most recent years, the problem of mass unemployment and under-employment still persists.

It is also important to note that in the U.S.A., while Kennedy has put forward a programme aimed at reducing the present huge total of unemployed, powerful capitalist forces are beginning to oppose important parts at least of this programme. The American ruling class is not at all unanimous in putting the reduction of unemployment as a primary object of government policy.

Working-class demands and struggle have clearly affected the working of the capitalist economies in other directions. They were certainly one of the elements in the post-war nationalisation programmes, even though important sections of the capitalist class had their own reasons for supporting much at least of these programmes, and even though capitalist control of the state and of the bulk of the economy has ensured that nationalised industries are used for the benefit, not of the people, but of the bourgeoisie.

Working-class demands for housing and social services have also, generally, over this period tended to keep up state expenditures in these directions at a higher level than would otherwise have been the case.

Wages

On the crucial question of wages, we would argue that the successes achieved on this front have played an important role in sustaining the level of economic activity at a higher level than would otherwise have been achieved. The fight for higher wages has, first of all, contributed to the defence of working-class living standards in face of inflation and price increases, and in face of attempts by various means, to throw the burden of armament expenditures on to their shoulders. Secondly, the wages fight has, speaking generally, had the aim of securing an increase in the real consumption of the masses, as productivity and total production have risen. How far this aim has been achieved has varied from one country to another and from one moment to another, but, speaking again in general terms, we believe that it has been an important factor tending to offset the basic tendency for consumption to lag behind the expansion of production.

We are not, however, suggesting that by fighting for higher wages the workers have removed capitalism's basic contradiction. Higher wages mean a higher level of mass consumption, but the basic fact remains that from the point of view of the capitalists, a higher share for wages means a lower share for profits. Even if at a given moment, when profits are rising, higher wages do not involve an actual reduction in profits, they involve nevertheless an attack on the mainspring of capitalist production.

But it must be emphasised that capitalism is not a system of simple reproduction, but of *expanded* reproduction. That is to say, the key factor in its long-term development, and in the

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boom-slump cycle is the process of the realisation of profits, their accumulation in the form of capital added to existing capitals, the re-investment of this new capital, and the consequent expansion of the productive forces. Thus the course of the capitalist economy depends primarily on the effect of the general situation on the profit expectations of the capitalists, and their consequent decisions as to investment.

Thus it is quite possible under given circumstances that even quite large wage increases will not deter the capitalists from large new investments, and may indeed act as a definite stimulus to such investments. This will be so both because of the fact that consumption will be rising, and also because the capitalists will seek to maintain and increase profits by increased investments aimed at pushing up labour productivity and reducing labour costs per unit of output.

So long as the capitalists see the prospects of continued high profit levels, to that extent they continue to have an incentive to increase capital investment. This in turn provides a general stimulus to the economy, and tends of course actually to "justify" the decisions taken by the capitalists to invest. This is because the stimulus to the economy will include, for example, an increase in employment, an increase in overtime working and easier conditions for securing wages increases. Consumption will tend to rise to meet, in part at least, the increased flow of goods coming forward.

No investment boom in a capitalist economy, however, stretches out indefinitely, though for reasons which we discuss in greater detail below, conditions have in many respects been particularly favourable for the prolongation of such a boom in the period since 1945. On the one side productive capacity is built up, at least in a certain number of industries, which is so markedly in excess of demand that the contradiction breaks out first in a crisis affecting these industries; if this is sufficiently serious it will drag the rest of the economy into crisis, and will in any case lead to cutbacks in investment. It is at such moments that the capitalists become aware of the fact that the investment boom has engendered a falling tendency in the rate of profit, and previous optimistic views as to the future expansion of the economy as a whole give way to a less certain estimation, possibly a downright pessimistic estimation of the future.

It is these facts, i.e. the building up of large excess productive capacity, and the general decline in the rate of profit, which President Kennedy's economic advisers have stressed as the fundamental causes of the recent weakness of the U.S. economy.

2. FURTHER DEVELOPMENT OF STATE MONOPOLY CAPITALISM

We have to note, as another specific feature of the situation since the Second World War, the further development of state monopoly capitalism.

Historically the appearance and development of the trend towards state monopoly capitalist forms is inseparably bound up with the passing over of capitalism to the stage of imperialism. The principal stimulus to this trend has been war, and war preparations, and in the pre-war period state monopoly capitalism reached its highest level of development in the fascist countries.

In the U.S.A. and the U.K. the Second World War led to rapid new strides along this road, and after 1945 the war-time "set-up" was dismantled to a far smaller degree than had been the case after the First World War.

In the period since 1946 the cold war has been the decisive element in maintaining and strengthening the trend towards state monopoly capitalism. If we bring in the other elements, and put the matter more generally, we can say that the further development of state monopoly capitalism has been in response to the very much more difficult conditions faced by imperialism in this new period.

The aim of imperialism is to maintain and where possible extend the exploitation of labour and the harvesting of profit for monopoly capital. This aim involves in turn a series of political and social objectives. Under the new conditions monopoly capitalism has called in the state power on a greatly increased scale, not as an "independent" force, but as its own servant. The state represents in fact a special and extremely powerful arm of monopoly capital, the arm of outright coercion, and of political and ideological propaganda, and the organ best capable of trying to mobilise the whole economic might of monopoly capital for the decisive battles which now confront it.

In terms of economic organisation, the principal features of state monopoly capitalism are the continued and at times breathlessly rapid progress of the concentration of capital and of the interlocking of industrial and financial capital, with control passing into the hands of a smaller and smaller group of huge monopolies; the closer and closer interlocking of the state with the monopolies; and on this basis, a great enhancement of the role of the state in the economy.

The role of the state has been enhanced first of all because of the huge increases in its expenditures both on armaments and on various forms of overseas "aid", military, para-military, and economic. The size of these expenditures, and the priority given to them, has further involved the

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state in attempting to regulate the economy so as to ensure their achievement.

In the U.K. the state has also intervened to try to deal with the external economic problems arising out of the weakening of the position of British imperialism both in relation to the colonial (and ex-colonial) peoples, and *vis-à-vis* U.S. imperialism. These are the problems of the balance of foreign payments and the international position of the pound sterling.

The principal aim of the state in the U.K. in this respect has been to maintain and increase capital exports, while trying to build up the state's gold and foreign exchange reserves to a level adequate to restore the position of the City of London as an international financial centre and of the pound sterling as a leading international currency. Economically the achievement of these aims has been made more difficult by the large burden of overseas military expenditures.

To further these aims the state has had recourse to a whole series of policies and measures. At the most general level it has attempted to regulate the level of activity in the domestic economy in such a way as to ensure a fast rate of growth of exports in relation to imports. It has launched export drives, based partly on pure exhortation, partly on special incentives to the capitalists to export, partly on the creation of artificial difficulties in the way of selling goods at home, and so on.

In furtherance of the general basic aim of increasing profits, accelerating the accumulation of capital, and keeping down export prices, the state has intervened constantly to try to block wage demands.

On the external front loans to sterling area governments have been used as a means of maintaining British imperialism's economic and political interests in these countries, and to promote U.K. exports, which have also received increased assistance in the form of export credit insurance. Other important instruments of state policy are tariffs, import controls, exchange controls etc.

Policies have been initiated to strengthen the competitive position of the U.K. economy against foreign rivals—productivity drives, programmes of research and education etc. A particularly important element in this respect has been the provision of cheap power and transport by the nationalised industries; others include aids to shipping, special tax relief on profits accumulated and invested etc.

A major development in the economic role of the state has resulted from the nationalisation carried through by the Labour Government. In the struggles which have since ensued around the question of the nationalised industries, the aim of the state has been to subordinate these basic sectors of the economy to the needs of monopoly capital.

The state has also encouraged mergers, e.g. the aircraft industry and the cotton industry in the U.K., and close co-operation among the monopolies, e.g. nuclear power construction in the U.K.

On an international level important new state-promoted organisations have emerged, e.g. the European Coal and Steel Community, and following that the Common Market and Euratom.

It must also be noted that the role of the state, and its expenditures have expanded in quite another direction, i.e. in the field of the social services, housing and education. Here the driving force has not of course been the interests of monopoly capital, but the demands of the working class. In this field a constant struggle is required to prevent gains made by the people being filched away again, while at the same time the improvements gained in these services since the end of the war are used as the basis for propaganda—the transformation of the nasty old state into a new fairy godmother, the "Welfare State".

State Expenditures

In part the enhanced role of the state can be traced in the considerable growth in the size of direct state expenditures.

Thus, for example in the U.S.A., expenditures by the Federal Government in 1929 were equal to 1.5 per cent of the Gross National Income; including state and local government expenditures the figure was 9 per cent. These proportions rose in 1953 to 17 per cent and 22.8 per cent respectively. In 1957 they had fallen somewhat to 11.2 per cent and 18.1 per cent. (Note that we are referring here only to the *proportion* of the total gross national income spent by the government, not to the actual amounts spent.)

In 1953 actual government expenditures (federal, state and local) amounted to $69,600 million, and in 1957 to $60,700 million. With expenditures on this scale it is clear that, in theory at any rate, the government is in a position to damp down considerably the effects of an economic recession, if it is prepared to accept a budget deficit, or to speed up the placing of armaments orders already agreed in principle. Thus in the 1948-9 and 1953-4 recessions the fall in gross domestic private investment was in each case about $9,000 million. In the 1957-8 recession U.S. business expenditures on plant and equipment fell by about $10,000 million, on top of which stocks were also run down. If we take it that such declines in investment would cause falls in gross national income of around $20,000 million to $25,000 million, then it can be seen that govern-

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ment expenditures of the order of $60,000 million to $70,000 million give the state, on paper, considerable scope for anti-recession policies.

It must be pointed out, however, that military expenditures are an expression of basic political decisions, and are not well adapted to serve as a basis for "counter-cyclical" policies. At the time of the 1953-4 and 1957-8 recessions military expenditures were running at around 10 per cent of the gross national income. This is probably about the highest level which is politically acceptable, short of actual war, and it was not enough even then to prevent these recessions, though it undoubtedly limited the extent of the decline in production the U.S.A. suffered on these occasions.

A major element in the growth of state expenditure has been the increase in the size of the state apparatus. In the U.S.A. the wage bill for government employees rose from 4.7 per cent of the gross national income in 1929 to 8.8 per cent in 1953 and 7.3 per cent in 1957.

In the U.K. total state expenditures have increased as a proportion of the national income. We note in particular that capital investment in the state sector has increased as a proportion of total capital investment expenditures. This has introduced an element of greater stability into the income, because investment in the state sector is not so directly determined by considerations of immediate profitability, and does not necessarily fall in a slump or recession and rise in a boom. However, the maintenance of a high rate of public capital investment may to some extent discourage private investment if it involves rates of taxation higher than those "acceptable" to the capitalists.

In 1938, the state (i.e. the central government, local government, and the nationalised industries) accounted for 30.6 per cent of gross fixed capital formation; in 1953 the figure was 55 per cent and in 1958 42 per cent. The higher proportion in the post-war period cannot, however, be regarded as something necessarily fixed and permanent. It is due, in part, to the growth in the size of the state sector of industry. But it reflects also the fact that the industries nationalised after the war included two, coal and transport, which were semi-derelict, and needed huge capital investment for modernisation. Once this is substantially completed, the share of the state sector in total investment is likely to drop sharply. A third nationalised industry, electricity supply, is one which has a very high ratio of capital to output, and which has had a very high rate of growth of output. In this case the expansion of generating capacity is beginning to overtake the growth of industrial production as a whole.

3. PHYSICAL DESTRUCTION

In the previous section we have outlined the greatly increased difficulties faced by imperialism in the post-war period, and, as a reaction to these, the further development of state monopoly capitalism.

At the same time it has to be noted that the result of the Second World War was temporarily to mitigate the more narrowly economic contradiction within imperialism, between the productive power and the consuming capacity of capitalist society.

In 1945 the productive power of the capitalist world was smaller than that required to satisfy the available consuming power, and this on the normal capitalist terms, i.e. at an adequate rate of profit. In this sense the basis existed for a period of boom.

But a post-war boom differs radically from a normal boom.

There is, first of all, a difference of *degree*. War prepares the ground for a boom in the same way as a depression, by destroying existing productive capacity, but it does this on a vastly greater scale.

It is difficult to estimate precisely the extent of the destruction of the stock of capital during the war, but this should not be under-estimated. The physical assets which suffered most heavily were buildings, which included bridges, railways and transport equipment, etc., as well as houses, shops, public buildings, ships, etc. These have the longest life of all capital assets, and their normal peacetime rate of replacement is low. The substantial rebuilding after the war therefore demanded either an immediate and extraordinary expansion of the building and construction industries to several times their normal size, or the spreading out of the work over a longer period. It must be borne in mind also that the total capital stock in 1945 was abnormally small not only as a result of the war, but also because of the effects of the pre-war depression.

There is also a difference in *kind* between a "normal" and a post-war boom, and this is of even greater importance than the difference in degree referred to above. Unlike a depression, a war is a gigantic accumulator of unspent purchasing power, and it is this which has given the post-war boom its special character.

This accumulated unspent purchasing power represents an excess demand, i.e. a reservoir of demand over and above that arising from current production in the form of wages and profits. To a greater or lesser degree, depending on the circumstances, this reservoir of demand can prolong the period during which the products flowing from each new expansion of capacity can be sold at a

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profit, and the conditions realised for a further, and profitable, expansion of capacity.

This excess demand existed both inside and outside the U.K. Within the U.K. the accumulation of unspent purchasing power was mainly in the hands of the capitalists, who had been prevented from using a substantial part of their wartime profits by government controls. This has been reflected in the fact that in the post-war period as much as two-thirds of private capital investment has been financed from the internal resources of companies, though another factor here has been the ploughing-back of currently-earned profits. What is significant is that the proportion of investment financed from internal resources has declined as the war has been left further behind.

Some accumulation of purchasing power was also in the hands of the mass of the people after the war, in the form of savings, wartime gratuities etc.

Abroad, there was a notable accumulation of purchasing power in the form of the sterling balances owed to various countries within the British Empire, and outside it also. Capitalists of the West European continent also had important accumulations in their possession.

To the extent that this excess purchasing power was kept dammed up by government controls, its utilisation was spread out over a longer period and its effect in sustaining the level of economic activity and the profitable turnover of capital was prolonged.

IV. SUMMARY GENERAL ANALYSIS

In the previous section we have discussed in some detail the main factors which, as we see it, have been at work determining the course of economic developments in the capitalist countries since 1945. We now try to draw our analysis together, in the present section.

Let us take as our starting-point the great economic crisis of the 1930's, and, intertwined with it, the further deepening of the general crisis of capitalism at that stage. From this there flowed in turn the Second World War.

In economic terms, the period from 1930 to 1945 was, overall, one of an unprecedented running down and destruction of the capital stock of the capitalist countries, both in productive industry and so far as social capital (housing, schools, hospitals etc.) was concerned. Given the very nature of the capitalist system, this created favourable conditions for a new period of sustained and heavy capital investment, to the extent that the contradiction between the growth of the productive forces and the capitalistically-determined limitations on the consuming power of society was mitigated.

Moreover, the progress of science and technology, which had not come to a halt in 1930, and which received an important if one-sided stimulation from the war, offered a whole series of new possibilities for profitable exploitation by the capitalists. Such new possibilities were of particular importance, because it is in the nature of capitalism to develop in fits and starts, new industries, and/or a great expansion of previously small industries, developing amidst the unplanned decline and disorderly decay of older industries.

In addition the capitalists were initially well supplied, as a result of the war, with the money capital necessary to undertake a new phase of heavy capital investment.

Politically, the capitalist/imperialist system as a whole faced after the war a situation in which it must either, by one means or another, put up a more creditable economic performance than the depression of the 1930's and the destruction of the war, or go down, *in very short order* in face of the material challenge of socialism, and the double challenge, on the one side of the national liberation movements, and on the other, of the working people at home. We do not mean to imply that the state, as representing in each country, the interests of monopoly capital as a whole, can determine the course of the capitalist economy. But we do mean, that to a greater extent than ever before, the state has had the will to do so. The development of state monopoly capitalism has also endowed it with greater powers than ever before to try to make its will effective.

State monopoly capitalism must, moreover, be seen as a many-sided phenomenon. For example, it is not simply a matter that the state concerns itself to a greater extent with the general state of the economy. The monopoly capitalists themselves, an ever-smaller but ever more powerful group, also concern themselves much more with politics, national politics and international politics. It would be very surprising indeed if under the conditions of the post-war period political considerations had not entered more extensively into the economic decisions of the monopolists—decisions, for example, as to investment, national economic and monetary policy, exports, the export of capital etc.

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The deepening of the general crisis of imperialism also, in a number of specific respects, increased the *potential* demand on the capitalist economies. Thus in the immediate post-war period the U.S.A. had strong political motives for running a large surplus of exports over imports (i.e. to carry through the reconstruction of the capitalist economies under its hegemony) apart from the basic economic motive of selling American goods.

The weakened position of British imperialism (and more generally of imperialism in Western Europe as a whole) was expressed after the war in a heavy balance of payments deficits. When account was also taken of the deterioration in the terms of trade (export prices in relation to import prices), British monopoly capitalism required a large increase in the volume of exports, and a holding down in the volume of imports in order to restore the balance of payments. "Restore" must be understood here in its imperialist sense, to include a surplus of exports over imports large enough to cover military expenditures abroad, and the export of capital, and to enable the international financial and banking position of British imperialism to be maintained, i.e. to maintain the pound sterling as a leading capitalist currency, with the sterling area arrangements etc.

The drive for exports has been doubly important in the capitalist countries. First of all it has provided an important outlet for expanding production, and for particular countries at particular stages it has been one of the most dynamic elements in total demand, e.g. notably in Western Germany. Secondly, however, it has played a special role because of changes in the types of goods exported. As compared with pre-war, capital goods now play a much more important role in the exports of the main capitalist countries, as compared with the simpler types of manufactured consumer goods. This has itself implied an emphasis on capital investment, to take account of this change in the pattern of demand. An important element in this change is the success of the national liberation movements in winning political independence, and beginning to harness their foreign trade to the needs of internal economic development, and to place the emphasis, therefore, more on capital goods.

At the same time the weaker balance of payments position of the U.K. and other imperialist countries led to measures to keep down imports, and so in turn to provide another stimulus to new investments, i.e. protection of the home market, and the development of import substitutes, often requiring heavy initial capital investment.

In the weaker general political position of imperialism pressure from working-class and popular forces has also tended to keep "social" capital investment at a higher level than, on the basis of pure profit considerations, the monopoly capitalist state would otherwise have maintained.

Armaments and Inflation

On top of all this, the adoption of the policy of the cold war piled up massive armaments programmes, which, in the case of the U.K. and France in particular, have involved the diversion of economic resources away from the normal peace-time channels.

The *immediate* effects of large armaments programmes were not in all respects identical in the different countries, but certain general effects can be distinguished. First of all, over the non-socialist world as a whole, rearmament was an extremely important factor in further stoking up and prolonging the inflationary conditions which resulted from the war. Further, the outbreak of war in Korea of course produced a wild inflationary rise in the prices particularly of primary commodities.

Secondly, armaments and the Korean War had the result of prolonging the phase of heavy capital investment, by turning back to war-time uses resources which had been released only a few years previously from the demands of the Second World War.

Where unemployed resources of manpower etc. were actually available, i.e. in the U.S.A., armament expenditures tended immediately to have the effect of raising the total level of economic activity. But in the U.K. and France the situation has been otherwise; armaments have clearly involved the cutting down of normal peace-time demands on the economy, either directly, or indirectly through the process of inflation.

Where the cuts have fallen has depended very largely on the ebb and flow of the class struggle, economic and political. In the U.K. the monopoly capitalists and their state have sought to make the cuts at the expense of the people's living standards, of "social" investment, and of investment in the nationalised industries. They have sought to maintain, however, capital investment in the privately-owned industries, and to push exports up while keeping imports down.

The wages movement, and the working people's struggle generally in the U.K. has, however, limited the extent to which the cost of armaments and war can be pushed on to their shoulders.

Here it must be noted that inflation itself has acted as a drug, artificially stimulating the capitalist economies. The rise in prices leads necessarily to a persistent rise in profits *in money terms*, and this is so even if wages rise to keep fully in line

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with the rise in prices. Moreover the expectation is created of an endless prolongation of the rise in prices and in money profits in the future. At the same time, bit by bit after the war, experience suggested to the capitalists that the boom-slump cycle had been modified, not indeed to eliminate recessions, but to the extent that in general now recessions could be expected to be relatively mild, and not as prolonged as under previous conditions.

These factors have had some effect on the behaviour of the capitalists as a whole. So long as their expectations of profits, arising out of inflation and the general previous course of the economy, continue to be optimistic, they tend to cut their capital investment programmes less quickly and less sharply in a recessionary situation, and to raise them more pronouncedly when business appears to be improving.

Furthermore, they have been far readier to bid up the price of labour in competition with each other, and more inclined to hold on to labour when production falls.

However, in the long run the obvious disruptive economic and social effects of inflation are too serious for the state to allow it to continue indefinitely, and, *in the main*, the inflationary phase in the post-war period has now come to an end. Perhaps its most lasting effect has been in contributing to the weakening in the relative economic position of the U.S.A. and the U.K. as against Western Germany, which has had greater success than either of the other two countries in limiting the rise in internal prices, and so in improving its competitive position in world markets.

The general long-term effects of armament expenditures are also, of course, to weaken the economies concerned. This is particularly so because of the very fast rate at which modern armaments become obsolete. For example, as the emphasis has switched from aircraft to rockets, productive capacity in the U.S.A. to meet requirements for the first has lost its market, i.e. government purchases, and this has undoubtedly been an important factor contributing to the general build-up of excess capacity in that country. The decline in military requirements of aircraft has been a disruptive factor in the British economy also, as has been equally the initial decision to link together raw material supplies for the nuclear bombs and the development of atomic energy power stations.

The United States Economy

The various factors which have been discussed making for a continued high level of demand in the capitalist economies, and particularly for a high level of capital investment, are now manifestly inadequate to keep the U.S. economy at anything like a full-employment level. This fact has been recognised by President Kennedy himself, who has spoken of the present recession as following an "anaemic" recovery from the previous recession, three years of slack in the economy, and a total period of seven years of diminished economic growth. The reports prepared by his various economic advisers make it perfectly clear that U.S. capitalism has now reached the point where productive capacity is in excess of the capitalistically-limited consuming power of American society, and where the rate of profit and profit expectations have weakened to the point at which capital investment is inhibited, and no great hopes exist for the further growth of the economy.

This stage has been reached earlier in the U.S.A. than elsewhere primarily because the U.S. economy emerged from the war with larger productive capacity, and a higher level of production, than it had enjoyed prior to the war. It has, therefore, come up against the basic economic contradiction within capitalism more rapidly than have the other countries.

The remaining capitalist countries are also moving towards this same stage. However, leaving aside for a moment the U.K., it is clear that the conditions for a general crisis of overproduction had not matured by 1957-58 either in Western Germany and the Common Market as a whole, or in Japan. This is the conclusion that flows from the fact that these countries were not drawn down into a deep recession at that stage by the onset of a recession in the United States.

Indeed it is important to note that in a number of respects the behaviour of the U.S. economy in 1957-59 was such as actually to stimulate the other major capitalist economies. On the one side it is true that the fall in the U.S. demand for imports of primary commodities has been an important factor in weakening the position of the underdeveloped countries and their demand for manufactured products from the major capitalist countries. But on the other hand, in 1958 and 1959 U.S. exports suffered a sharp and general decline while its imports, particularly of manufactured goods, rose at a rather sharp pace.

These developments contributed to the weakening of the position of the U.S. economy; in part they were due, it may be noted in passing, to the great steel strike in 1959 which for the time being turned the U.S.A. into a net importer of steel. From the point of view of the other capitalist countries, however, the decline in the U.S. export surplus in 1958 and 1959 was directly reflected in

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an improvement in their own situation in this respect, i.e. their export surpluses tended to rise or their import surpluses tended to diminish.

If we consider the position of Western Germany and the other countries of the Common Market, it would appear that this played a not unimportant role in stimulating the new phase of rapid increases in production following the minor recession in 1957-58. A very marked feature of the economic situation in Western Germany during 1960 was the renewed and very powerful capital investment boom which developed. This and similar developments in the other Common Market countries must be considered partly as a reaction to the 1958-59 situation characterised, as indicated above, by the weakening in the U.S. foreign trade position. Another important factor has also been the development of the practical arrangements for the creation of the Common Market, which have provided a special stimulus also to capital investment. Here also a further effect of the weakening in the position of the U.S. economy may be noted. The deterioration of profit expectations in the United States, combined with the less favourable opportunities for investment in the primary producing countries, have led to a sharp increase in U.S. capital exports to Western Europe and particularly to the Common Market countries.

What all this suggests is that in the most recent period the boom in capital investment expenditures in Western Europe has been stimulated by special factors, so that the increase in productive capacity which is now taking place is the more likely to prove to be in excess of effective demand.

It is impossible to predict with any certainty the moment at which an excess of productive capacity will begin to become apparent on a sufficient scale to produce a crisis of overproduction. This moment depends on a number of factors, including the opinion and expectations of the capitalists themselves.

The Underlying Tendency

But the underlying tendency is clear enough—productive capacity is continuing to undergo rather rapid expansion in Western Europe, so that in any case these countries must be expected to approach more or less quickly the stage already reached by the United States. So far as profit expectations are concerned, it is noticeable that the capitalists in West Germany have now begun to express serious concern as to their profit margins given, they claim, the continued pressure of the workers for higher wages, plus the effects both in export markets and at home of the recent 5 per cent revaluation of the Deutsche mark.

The position of the U.K. differs considerably as we see it, from that of West Germany. The British economy over recent years has been distinguished by its low rate of growth and by its relatively feeble capital investment expenditures as compared with West Germany. Both of these features can be traced in large part to the peculiar economic position of British imperialism in the post-war period, and to the policy adopted by the bourgeoisie of deliberately holding back the growth of the domestic economy, in order to try to maintain in equilibrium the international balance of payments with its burden, direct and indirect, of imperialist charges. To the extent that the rate of growth of productive capacity in the U.K. is small, it follows also that the problem of the contradiction between productive power and consumption emerges less sharply.

To recapitulate, the present situation is one in which the contradiction between production and consumption has already emerged in a sharp and chronic form in the United States. In the presently most dynamic economy in the capitalist world, Western Germany, this contradiction is maturing. Simultaneously in general over the field of the production of primary commodities, it is correct to speak of excess capacity, or at very least, of capacity which is now fully adequate to meet any likely demands from the capitalist economies as a whole.

Conditions are thus maturing for a general crisis of overproduction in the capitalist half of the world, of far greater severity than that suffered in 1957-58. The maturing of such a crisis is accompanied by and is indeed accelerated by the increasingly sharp economic antagonisms between the major capitalist countries. These we have discussed in a previous section and we propose here to re-emphasise one aspect only. This is the tendency for the capitalist world market to be narrowed, due to the lagging behind of the trade of the primary producing countries.

There is indeed continuous discussion by the bourgeoisie of the necessity to increase capital exports in various forms to these countries, and there is no question either of the wish of each of the capitalist countries to try to promote its own exports by this means or of their collective conviction that capital exports need to be raised in order to try to maintain the under-developed countries within the imperialist sphere of influence. But, exports of capital seem unlikely to reach a level much beyond that required even to maintain the present exports of goods to these countries.

To say that the conditions are maturing for a more serious general crisis of overproduction than

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that experienced in 1957-58 is not to predict a new crisis similar to that of the 1930's. We have tried to bring out in our analysis the point that while the fundamental economic laws of capitalism, the profit motive, its basic economic contradiction etc. remain the same, their expression in social life has undergone important modifications because of the extreme depth of the general crisis of capitalism.

Thus, we can say with assurance that the narrowing of the world capitalist market will continue, because of the lagging behind of the trade between the capitalist countries and the under-developed countries. We can be equally certain that the under-developed countries will more and more break out from the economic chains which still bind them to the capitalist countries.

We can equally say with assurance that the fundamental contradiction between production and consumption in the capitalist countries as a whole is growing deeper and deeper and that this will find expression in a further sharpening of the economic antagonisms between the main capitalist countries. But in our opinion it is impossible to predict in detail how far, for overriding political reasons, the capitalist countries will be able at any particular stage to arrive at compromises between themselves adequate to soften for the time being these antagonisms. All that can be said for certain is that the objective economic difficulties in the way of such compromises steadily increase and multiply. Thus there is now a serious danger to the imperialists (of which they are well aware) that the international economy which they have restored since the war will again be disrupted and disintegrate as it did in the 1930's, unless they take energetic and *unusually* farseeing action.

Even more important, as we see it, is the situation within each of the capitalist countries. The maturing of the contradiction between production and consumption is reflected in the building up of excess productive capacity, and a decline in the rate of profit and in profit expectation. Sooner or later this is accompanied by a growth in unemployment and a slowing down in the rate of growth in the economy. As we have said, these phenomena are already to be seen in an advanced form in the United States. There is no reason to suppose that they will not appear to a greater or lesser extent in all the capitalist countries in the period ahead.

Counteracting Factors

But there are, in our opinion, very important factors which will tend to intervene to prevent these phenomena expressing themselves in a full-blown economic crisis *of the type of the* 1930's.

The experience of the four recessions so far in the U.S.A. since 1945 is that the development of the economic crisis takes a peculiar form because of the maintenance and increase of the level of Government expenditures, notably for military purposes, and because of the *relative* stability of personal consumption expenditures.

The position seems to us to be that the state has now sufficient political incentives and economic power to intervene during a recession to check this downward spiral of economic activity, culminating in a depression, which would otherwise follow automatically from a check to investment and the cutting back of production aimed at reducing stocks of finished goods built up.

At the same time the general weakening in the position of imperialism places the working class in a stronger position to resist redundancy and to fight to maintain its living standards. In this connection, the apologists for capitalism are wont to describe unemployment insurance and other similar provisions as "built-in stabilisers." In fact these are to a large extent reforms which have been won by the struggle of the working class over decades.

In the final analysis the question of the depth of a slump is measured after all by the extent of unemployment and of the cuts imposed on the living standards of the workers as a whole. That is to say, these are questions of the class struggle, in the broadest sense, to include not only the direct economic struggle, but also the political struggle, the pressure exerted by the people against monopoly capitalism, and the general weakening of monopoly capitalism on a world scale.

But it is obvious that merely to limit the downward spiralling process of an economic crisis does not in itself eliminate the basic contradiction between production and consumption, nor does it open up new perspectives for the growth of the capitalist economy. On the contrary, it eliminates from the capitalist economy an essential part of the mechanism by which it has traditionally cleared the ground, as it were, after each boom for the development of a new boom. The recessions encountered since the end of the war have certainly led to the running down of existing stocks of commodities, but they have not led to the elimination once and for all of any large amount of the existing excess capacity. Thus the ensuing recoveries have tended to become weaker and weaker. Their mainspring has been simply the rebuilding of stocks of commodities, accompanied by a recovery in new capital investment expenditures which has proved itself to be feebler after each successive recession.

In sum, it is possible to envisage the factors

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which in the present stage of the general crisis of capitalism tend to operate to limit the extent of slumps. But these in no way overcome the internal contradictions of capitalism and appear to lead necessarily to a persistent weakening in its rate of economic development.

So far as the capitalist state is concerned it has only very limited possibilities of action in relation to the basic economic contradictions. Its most important measure by far is to increase military expenditures. But its scope for the use of this measure tends now to be limited by the development of the world peace movement, by the fact that it is now being forced more and more to enter into peaceful economic competition with socialism, and by the fact that under conditions of sharpening economic antagonisms among the imperialist countries the economies carrying the heaviest burden of armaments are automatically handicapped.

The Economic Outlook

What then, must our final conclusion be as to the perspective for the capitalist economies?

It is one of mounting difficulties, of increasing internal contradictions, a weakened rate of economic growth, of threats that each recession may develop into a major slump, of increasing economic antagonisms between the main capitalist countries etc.

The decisive issue in all this will be the development of the class struggle, against unemployment and for the maintenance and improvement of living standards.

Beyond armament programmes, it would be foolish to expect the monopoly capitalist state to advance, of its own volition, major policies for the "reform" of the capitalist system to overcome its internal contradiction. It would equally be foolish to expect it, of its own volition, to adopt radical measures to protect the jobs and living standards of the masses against the effects of economic crisis and declining economic growth. It will not do so, because no radical measures can be taken in this direction without beginning to supplant the capitalist system itself.

But the significant difference betweeen the 1930's and today is the fundamental weakening of capitalism and the strengthening of the anti-capitalist forces. The working class needs boldly to advance its demands, particularly in times of economic crisis and difficulty. The more it does so, the greater the concessions it can secure, even from the monopoly capitalist state, the further it weakens the power of the bourgeoisie, the nearer comes the day when the power of the bourgeoisie can be overthrown, once and for all.

Appendix

CYCLICAL CRISES AND THE GENERAL CRISIS OF CAPITALISM

(a) Cyclical Crises

By contrast with previous economic systems, capitalism has been marked by a growth of output over time. By contrast with socialism, that growth of output has not been steady and regular, but has proceeded by fits and starts, periods of rapid growth being followed by periods in which output declined or stagnated before a new upward movement emerged. During the nineteenth century, the time that elapsed between one peak and the next (the "cycle") showed considerable regularity, so that e.g., Engels refers to "excess of supply over demand, overproduction, glutting of the markets, crises every ten years."

Let us first *describe* the process of growth and breakdown, and then examine its *basic* causes.

The prerequisite for production in any economic system is the uniting of labour power and means of production in the productive process. Some part of the fruits of production must be devoted to consumption by those who provide the labour power, and some must go for the replacement of the means of production used up. The surplus, if any, may in principle be used for consumption or for adding to the available means of production; if it is used for the former, the economy produces at a constant level (i.e., there is "simple reproduction"); if the latter, there is growth of output over time (i.e., "expanded reproduction"). Under capitalism, the means of production are the individual property of members of one class, while the other class supplies the labour power by sale in the labour market. Here, the uniting of means of production and labour power is achieved as a result of each capitalist's purchase with his money capital (M) of the various sorts of productive capital (C) (viz. means of production and labour power), and as a result of his putting them to work together in the productive process. In this process the labour power, operating with the machinery upon the raw materials, produces an output of goods (C') which is different in kind from the goods that went in, and larger in quan-

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tity by the amount of the surplus that the labour power has created. The difference between C′ and C is the amount of surplus *produced*!

But a further stage is necessary before the capitalist can measure how profitably he has used his money capital, and before he can start the whole process again. Money capital can be compared only with money capital, and only with money capital can he buy the fresh supplies of productive capital with which to continue production. Hence he must "realise" C′ in the market, that is, he must convert it by sale into M′. The difference between M′ and M is the surplus *"realised"*; if this difference is divided by the capital originally advanced we have in M′ minus M = the rate of profit.

Since an adequate rate of profit is the aim of and necessary condition of capitalist production, it is clear that the cycle of operations we have described can and will break down if the rate of profit is inadequate. For example, if the conversion of C′ to M′ cannot take place at prices which were anticipated when capital was originally advanced for production, then the actual proceeds of sale will be inadequate to give the expected rate of profit; hence the capitalist may refuse to advance capital for a new cycle of purchases of production capital. As a result labour power lies unbought, and means of production produced in anticipation of sale to him lies unsold, and his money capital lies idle.

A fall in the rate of profit is the *immediate* cause of the breakdown; but its *fundamental* cause is to be found in answering the question: "Why does the rate of profit fall?"

Before answering that question, however, we must note that what the breakdown interrupts is a process of expansion—the crisis follows a boom. Therefore we must demonstrate that capitalism is a system marked by *expanding* reproduction. It has been noted that if the whole of the surplus created by labour-power were spent by the capitalists on their own consumption, there would be a constant, not an expanding level of production. Hence the capitalists, whatever level of luxury they may enjoy, do not consume all the surplus; indeed, so far from consumption being the motive of the capitalist system, the aim of the system is the accumulation of capital by the adding of some part of the surplus to the capital already possessed. The size of the capital owned by the individual capitalist is not only a measure of his social position and power, but is a necessary condition of his survival as a capitalist.

Because production is not planned, but is the result of individual decisions (i.e. there is "anarchy"), realisation of the product takes place under conditions where capitalist producers are opposed to each other in the market. Success in the market struggle tends to go to the largest capital because it has the greatest financial strength and is best placed to take advantage of "the limitless perfectibility of modern machinery," which "under modern industry becomes a compulsory law by which each individual capitalist must perfect his machinery more and more, under the penalty of ruin" (Engels).

In explaining why accumulation slows down, stops, and goes into reverse, we have given a key role to the rate of profit. Why, then, does it fall?

First, as in all economies where production decisions are taken before sale, and in ignorance of other producers' decisions, where in short there is anarchy of production and competition, the certainty exists that there will be uneven development as between the output of different enterprises, sectors of industry, and countries. There is, of course, a mechanism by which the balance of output between different products is made to correspond to society's requirements; but this mechanism works by correcting errors after they have been made, by designating products as unwanted after the resources for their production have already been committed and therefore wasted. Partial overproduction and partial underproduction in relation to demand are therefore necessary features of the system. Moreover, once specialisation has developed to the point where two departments of production, those of means of production and of means of consumption emerge, the smooth working of the system requires not only that all goods shall be produced in certain proportions to each other, but that there shall be the right amount of means of production produced to satisfy the requirements of the consumer goods industries, and the right amount of consumer goods produced to supply the workers and capitalists of both sectors. New proportions, more complicated and difficult of achievement, are called for.

Further, as the means of production become themselves larger and more complex with the development of technique, and as the gestation period not only of products but of techniques themselves becomes longer, decisions in one sector are taken in anticipation of unknown future developments elsewhere and the possibility of prolonged and cumulative disproportions becomes greater. Further, the development of barriers to movement of capital under monopoly and under state capitalist intervention makes the process of adjustment more jerky, discontinuous, and therefore more violent.

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General Overproduction

There seems, however, no irrevocable reason why anarchy and uneven development (which are features also of pre-capitalist market economies) should result in *general* overproduction of all commodities. *General* overproduction is specific to capitalism because of the specific feature of *capitalist* market economies; and that feature is the existence of a *labour* market where labour power is bought and where therefore exploitation, the creation of surplus value, and the accumulation of capital are the result and the aim of the system. It is the contradiction between social production and private appropriation, the basic contradiction of the system, that generates the cyclical mode of development.

Since capital accumulation proceeds alongside antagonism between individual capitalists the productive forces become more social; not only is the amount of means of production increased, but their quality alters. The blocks in which they are organised become bigger, the ratio of machinery to labour power rises. As a result, the more social are the productive forces, the greater their productivity. On the other side, the social relations of capitalism are those of individual ownership of the means of production, and of the product, and the aim of the system is to maximise profits. In the struggle for maximum profits each capitalist is forced to obtain labour-power as cheaply as possible and to make it as productive as possible. The more he succeeds by these two means in increasing the profit *produced* (in the sense that C′ minus C becomes as large as possible), the more he destroys the conditions required for the *realisation* of profit. For, sooner or later, the limited purchasing power of wage earners acts as a barrier to the sale, at an adequate rate of profit, of the very goods which wage earners have, by their social labour, produced.

So long as the capitalists are engaged in expanding their own purchases of means of production in anticipation of future expanded sales and profits, so long do they create the market for their own expanding output. But, after a shorter or longer gestation period, those means of production are installed, in operation, and have to justify themselves through earning profit on the sale of the consumer goods they produce. The ultimate barrier to capitalist production is capital itself, in the sense that "capital" means capitalist production relations, or the wages system. This is not at all, however, to suggest that every crisis starts in the consumer goods sector; only that the ultimate limit to the boom lies in the contradiction between production on the one side, and consumption by the mass of the people on the other.

The above picture was a highly simplified one, based on an economy in which there were only two classes, wage labour and capitalists, where there were no monopolists and no finance or credit system, where surplus value was the only source of profits, where there was no trade or capital movements between countries, and where the state had no expenditure and levied no taxes. In short it showed how crises arose out of the basic contradiction between social production and private appropriation. It did not take into account the degree of "socialness" of the productive forces, nor what was the particular constellation of class forces, i.e. the conditions of individual appropriation as they affect particular class revenues.

While detailed examination of a particular historical period is the purpose of Part III of this document, we may, none the less, attempt very briefly a half-way house to more complicated reality by modifying the above picture to take account of the main new features that emerge with imperialism.

First (see M. H. Dobb: *Studies in the Development of Capitalism*, Ch. 8, iv) the productive forces have become increasingly inflexible in the sense that large integrated plants require to be used either fully or not at all. As the ratio of fixed capital to circulating capital rises, and as that fixed capital becomes highly specialised in function, the losses involved in small reductions in output become severe. The degree to which a plant is utilised becomes a key factor in its profitability. Decisions to instal such plant are more irrevocable, and its protection, once installed, more vital. Hence adjustment to changing conditions is more violent and requires more force to achieve it.

Second, the very size of large monopolies enables planning inside them, the anarchy of the system as a whole nevertheless grows; for not only are mistakes larger when made, but, much more fundamental, monopoly changes the distribution of revenues between and within classes in favour of the monopolists.

This necessarily accelerates the rate of accumulation by them and puts at their disposal sums of capital without which the most modern techniques cannot be exploited. At the same time it also reduces the relative consuming power of the working class, independent producers and smaller capitalists.

Third, the export of capital has created a division between the industrialised metropolitan countries and the raw material producing colonies and semi-colonies, arresting the development of the latter. Their arrested development means that the majority of the world's population are incap-

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able of becoming an adequate market for the products of imperialism, whose very productive forces their raw materials and their labour-power have expanded.

Last, the state has increasingly intervened to influence the direction of growth of the productive forces and the distribution of class revenues in such a way as to benefit the monopolies at the expense of the rest of the population. But because its enhanced role stems from the very depth of capitalism's difficulties, and because it requires to use more force, the state becomes involved in spending a large part of class revenues, especially on militarisation. In this way it tends to impoverish the people while none the less creating a substitute market, at least for short periods.

Although such action has not in fact prevented economic crisis, it may none the less postpone the open outbreak of the contradiction between production and consumption. But that contradiction, with its expression in form of economic crisis, is not the only nor necessarily the most important expression of capitalism's basic contradiction. Further, as will be shown later, the growth of state expenditures and militarisation creates new economic problems for imperialism.

(b) The General Crisis of Capitalism

The term "the general crisis of capitalism" refers to the whole period in which the transition takes place, on a world scale, from imperialism to socialism. The general crisis is thus distinguished from cyclical crises of overproduction and from other *particular* economic social and political crises within capitalism in the first place by the fact that it extends over a considerable number of years. But more fundamentally, the difference is that we are speaking here pricisely of a *general* crisis of the capitalist system as such, in all its aspects.

Furthermore, we are speaking here not simply of a certain *quantitative* increase in the difficulties and internal contradictions of the capitalist system, but of a qualitative change, in which these difficulties and contradictions have reached a point at which a revolutionary leap forward, long desirable but now absolutely necessary and possible, can take place to a higher economic and social order, that is socialism.

Lenin wrote in his *Imperialism, the Highest Stage of Capitalism*:

> "Capitalism becomes capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental attributes began to be transformed into their opposites, when the features of a period of transition from capitalism to a higher social and economic system began to take shape, and reveal themselves all along the line" (Ch. VII).

While the fixing of a particular date for the beginning of a particular period in history has only limited value, we feel nevertheless that it is useful to consider the general crisis of capitalism as opening with the October Revolution in 1917. As capitalism passed to the stage of capitalist imperialism, so, as we understand matters, the conditions were more and more prepared for the onset of the general crisis. If we say that the general crisis started in 1917, what we have in mind is that this was the moment at which the first break-through was made. Under the leadership of the Bolsheviks, the Russian workers and peasants removed the peoples and the territory of the U.S.S.R. from the grip of imperialism. From that time forward the general crisis had begun, imperialism was no longer the one single all-embracing world system.

The leap forward from capitalism to socialism could not be accomplished all at once, and simultaneously in all countries and all parts of the world. On the contrary, it requires long-drawn-out and extremely complicated struggles by the working class and other sections of the working people. It follows that the general crisis is not a simple mechanical process in which one single homogeneous army of socialism exerts an evenly rising pressure against another single homogeneous army of imperialism, which weakens by even amounts from day to day and from year to year, until finally the overall victory of socialism is achieved!

We can say with truth that as the general crisis proceeds, so does it become deeper. But merely to say this does not give us any knowledge, *a priori*, as to the actual course events are taking or are likely to take at a particular moment. The crisis does not develop and deepen uniformly in all aspects and simultaneously in all countries and areas of the world. On the contrary, it develops very unevenly.

The need to understand the general crisis dialectically and not mechanically was surely demonstrated conclusively by the October Revolution itself. This took place not in the most highly developed capitalist country, where the development of the contradiction between productive relations and productive forces had reached its highest point at the national level, but in a relatively backward country. The chain of imperialism, as Marxists have always expressed it, broke at its weakest link—at the link which under the *concrete circumstances* proved to be the weakest.

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It is perhaps useful to remind ourselves again that while capitalism in the nineteenth century knew one fundamental class contradiction, that between the capitalist class and the working class, imperialism added a second major contradiction, that between the imperialist ruling class and the peoples of the colonies, and sharpened up the contradiction between the national, now imperialist, capitalist countries to extreme intensity. The general crisis adds a further contradiction, between imperialist states and the socialist state, or states.

Stages of the General Crisis

Within the period of the general crisis of capitalism, there are a host of political crises, continued cyclical economic crises, etc. There are also different stages of the general crisis itself.

Thus, it was the First World War, itself the result of the white-hot contradiction between the imperialist powers, which plunged the whole system into general crisis. Nevertheless, we know that immediately following the war, when it proved impossible for the working people in other countries to take at once the road which the Russian people had taken, there followed a period of relative stabilisation of imperialism as a world system, during which to some extent the disruption caused by the war was overcome. We say relative, because on the one side the restoration of the position of the main imperialist powers proved to be short-lived, while on the other side the struggle of the colonial people now began to develop on a greater scale and with greater intensity than anything that had been witnessed prior to the First World War.

The year 1929 proved to be the end of this period of relative stabilisation. Now the capitalist world was plunged with catastrophic suddenness into a cyclical crisis of overproduction of the most appalling severity, and the general crisis entered afresh into a very acute form.

The onset of the cyclical crisis triggered off, as it were, a sudden intensification of the general crisis. From the other side it can also be said that the cyclical crisis assumed from the beginning a particularly severe form because the world capitalist system was already weakened as compared with pre-1914. As Stalin put it, the imperialist war had "undermined the foundations of capitalism and paved the way to the present economic crisis." (Political Report to the Sixteenth Congress, C.P.S.U. Quoted in *Political Economy*, John Eaton, p. 191.) We recall here Maurice Dobb's apt phrase which we have quoted, to the effect that economic crises forge and shape the development of capitalist society. In this case, the onset of the cyclical crisis unleashed all the destructive internal contradictions of imperialism.

We cannot pretend here to undertake a full discussion of the period of the 1930's. However, some economic questions of major importance may be mentioned.

First, the opinion has been expressed in the course of the preparation of this document that the First World War may be said to have "paved the way" for the 1930's because it disrupted the international economy which had existed up to 1914, and that, as restored after the war, this economy was weaker, less coherent, less able to withstand major economic shocks. It is argued that from the onset, imperialism itself tended to undermine the international economy, because its fundamental trend was to divide the world up among the major powers, not simply politically, but into separate and antagonistic economic empires. It is argued further that by carrying this process of division to an extreme point, the economic crisis of the 1930's pushed the capitalist economies into deeper and more insoluble economic difficulties and contradictions, and provided the basis for the intensification of the general crisis as a whole. Some comrades have expressed themselves as by no means convinced as to the importance of this question.

Secondly, the agrarian crisis. Disruption of normal world markets and supplies during the First World War led to a general expansion of agricultural productive capacity; in the post-war period a general agrarian crisis therefore emerged. This was chronic, in the sense that it did not appear and then disappear again in the course of one cyclical crisis, but persisted. The general world boom up to 1929 reduced its severity, but did not eliminate it. It remained therefore as an element "paving the way" for the great economic crisis of the 1930's and became intertwined with that crisis, aggravating and in turn being itself further aggravated by it.

Thirdly, chronic mass unemployment. In the 1930's the armies of unemployed in the capitalist countries were numbered in millions; it was no longer a question of reserves of labour which were drawn into employment more or less fully in a boom, to be re-recruited in the reserve army of labour in the ensuing slump, but of permanent mass armies.

In the U.K., heavy mass unemployment was in fact a feature of the whole of the inter-war period. From 1922 to 1938 the number of registered unemployed (average for twelve months) was never less than 1,179,000 (1927, 9.7 per cent of

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registered labour force) and reached 2,829,000 in 1932 (22.1 per cent of labour force). In 1937, the peak year of recovery from the depression, it was 1,482,000, and rose again to 1,803,000 in 1938.

Alongside the permanent mass armies of unemployed in the U.S.A., U.K., etc., there stood also in the 1930's the uncounted millions of "concealed" unemployed and under-employed in the colonial and semi-colonial countries. These were the victims of the agrarian crisis, and in general of the catastrophic decline in the demand of the imperialist countries for their agricultural and mineral products.

Fourthly, chronic under-utilisation of capacity. In the U.K. heavy mass unemployment from the time of the First World War onwards was closely connected with the persistent under-utilisation of the productive capacity of certain industries, particularly those which suffered a permanent loss of pre-war world markets.

As a *general* phenomenon, the chronic under-utilisation of industrial capacity in the capitalist countries emerged in the 1930's and persisted up to the Second World War.

May 1st, 1961.

New Stage in the Cuban Revolution

(In our June issue we printed extracts from an August 1960 report by Blas Roca, characterising the early stage of the Cuban Revolution and its tasks. With the achievement in the main of these tasks, the Cuban Revolution has entered a new stage. This is shown by Anibal Escalante, Secretary of the Executive Committee of the Popular Socialist Party of Cuba, in a speech on May 7th, 1961, summarised below.)

The First Stage and Its Tasks

IN May 1959 we defined the Cuban revolution as an advanced, patriotic, democratic and anti-imperialist agrarian and popular revolution. In view of what has happened since, was that definition correct? Yes, it was correct. That definition corresponded to the historical period through which our country was then passing. It was a social revolution in the conditions of a semi-colonial and backward country.

The tasks of the revolution at that time were not the tasks it is fulfilling today: they were the tasks of national liberation and the rooting out of the remnants of feudalism.

Until January 1st, 1959, Cuba was, in the first place, a subject country, a semi-colony of United States imperialism; and secondly, remnants of feudalism existed here, forms which were out of keeping with the present epoch, forms of an already extinct social-economic formation—the latifundist form of production, share cropping, land rent, etc., which held back the growth of production in the countryside and thus restricted the entire development of our economy.

Without real national liberation there could be no advance, because United States imperialist capital deliberately prevented it; without getting rid of the remnants of feudalism the necessary basis for the development of industry could not be established.

But revolution is a process: a process which advances in stages, though there is no Chinese wall separating one stage from the next. Whether the process goes forward without check depends on which classes and which forces are in power. The Cuban revolution has in fact gone forward without interruption, and the definition of May 1959 no longer corresponds with present-day reality.

What has happened? Only that the revolution has developed further, that it has fulfilled the tasks set for its first stage, and has entered upon a higher stage. And this was possible because in the course of the development of the revolution the working class has been the leading force, and at the head of the working class and of the whole people there was a revolutionary core, led by an experienced revolutionary, which represented the force that was constantly driving the revolution forward. But for these factors, the revolution would not have taken the course it did take.

The task of national liberation has been achieved: full national independence has been won. Cuba, formerly a puppet of imperialism in international affairs, in the United Nations, in

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the Organisation of American States, stands today outside the imperialist camp. Our country has achieved its full sovereignty. It has for ever left the imperialist camp and stands firmly, today and in the future, in the camp of national independence.

Cuba has ended the rule of the foreign monopolies. Our country has nationalised all foreign undertakings, and thus it has become economically as well as politically free—that is, completely free.

Today Cuba is free in every respect, it is fully sovereign in its economy and in its policy, so that we are entirely justified in saying that the task of achieving national independence has been wholly realised. What is left is the Guantanamo base. This might mean some restriction of our national independence, it is sometimes said; but this is not the case. It is now only a question of the relation of forces, a question of time.

The consistent carrying through of agrarian reform has similarly solved the problem of abolishing the remnants of feudalism. The latifundists have been expropriated and their properties put into the service of the Cuban people: either handed over to the peasants, or formed into co-operatives or state farms. Share cropping and rent have also been abolished. Today the peasant in our country is a really free man. Thus the anti-feudal tasks have also been fulfilled.

Other tasks of the first stage though secondary, were nevertheless of great importance; for example, democratisation. No one can deny that our country is democratic—that it is the most democratic country in all America. The revolution has not only brought democracy for the people, it has also developed culture on a broad scale.

The standard of living of the masses of the people has improved. The lowest wages have been raised, unemployment has in the main been ended, and rents have been lowered: thus the income of the masses has been substantially raised. No one can deny that the peasants have today a higher income than ever before.

And if we were able to work in peace, if imperialism had not set up its blockade of our country, if it did not send us its mercenaries and threaten us with aggression, then things would be even better for our people.

Thus the revolution has successfully fulfilled the tasks of its first stage. But as I have already said, a social revolution cannot stand still. To stand still means stagnation, stagnation means retreat. A revolution which stands still is a revolution which is dying.

Some people in the enemy camp say that they are for the revolution, but not for the one which we are carrying through. Others speak of the tempo of the revolution dying down. But the tempo of a revolution is determined by the concrete conditions. The Cuban revolution is led by classes and men devoted to the revolution and is firmly going forward.

New Elements

In the course of the development of the revolution, new elements have been formed which are:

(1) The nationalisation of the entire sugar industry, not only of the foreign sugar enterprises, has been carried through, so that at one blow 26 or 27 per cent of the national income has come into the hands of the revolutionary state, becoming the property of the whole people.

(2) The banks and foreign trade have been nationalised, as essential means for the control of the economy.

(3) Industry, transport, port installations, etc. have been nationalised in the main.

(4) There has been a consistent development in the countryside of the simplest forms of co-operation, passing quickly over to co-operative farms followed by the development of state farms. Thus in the sphere of agriculture the development has been even more rapid than in other socialist countries.

Another new element is planning: the coming year will see the beginning of the Four-Year Plan.

The old capitalist relations, which held back our national development, have been replaced by new relations of production. In industry today some 80 per cent is based on socialist relations of production; in agriculture, over 50 per cent is in the hands of the people. Hence in our economy as a whole the existing relations of production are in the main not capitalist, but socialist.

Today production is rising in both industry and agriculture. There is nothing to hinder this, since production is not for the profit of individuals, but for the people's needs.

When in his speech on May 1st Fidel Castro said that our revolution was a socialist revolution, this does not mean that we have built socialism.

There is still a section of production in Cuba which is not working on socialist lines. It is true that socialist production relations have triumphed over capitalist, but the old production relations still exist in some measure.

We must go forward to the complete socialist transformation of our country, a task which still lies ahead. We are entering into a transition period to the establishment of socialist foundations, the building up and development of a

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socialist society. This will take a longer or shorter period of time—how long will depend on the actual conditions and the resistance of the enemy.

We are thus entering into a new stage of national development, the socialist stage. Of course it is not easy to feel the difference. In the course of social processes the border-line is hard to distinguish. This is due to the fact that first the material conditions of life undergo change, and only after that do our ideas change. The new outlook stems from the new life.

We can now say that the ruling classes of Cuba have gone, that they have left—or rather, been compelled to leave—the stage of history.

The Classes in the Cuban Revolution

Corresponding to the changes in the revolutionary process, there have also been changes within the classes and in the relations between the classes. Many different classes took part in the revolutionary process before January 1959. The broad alliance ranged from the revolutionary proletariat to the national bourgeoisie and even some large landowners, the so-called liberals. They were certainly against the Batista tyranny, but in the measure that the forces underwent polarisation, in the measure that the revolution grew stronger, so these "friends" on the right drew back.

The class forces that are leading the revolution forward can be defined as follows: the decisive force of the revolution, before and after it was victorious, was and is the working class and the poor section of the peasants. The alliance of the workers and peasants is and remains the foundation of the revolutionary power.

The small bourgeoisie of the town, especially its radical sections, has played a part and will continue to play a part, and likewise the middle peasants can still play a part. Some rich peasants are, however, beginning to go over to support of the counter-revolution.

The revolutionary power is that of the workers and peasants, a power which expresses the democratic rule of the people in Cuban society. Today the revolution is rooted in the working class and the great majority of the peasants. The class that is decisive numerically, the proletariat, and the decisive sections of the peasantry and the small bourgeoisie, are firmly behind the revolution. Though the range of classes in the revolution has narrowed, the support of the masses for the revolution is as unlimited as it was in the first stage.

Today the consolidation of the revolutionary forces throughout the country is growing stronger, and this is the guarantee that, under Fidel Castro's leadership, the revolutionary movement will continue to go forward.

Stages of Social Development

ACCORDING to the Marxist theory of history, the development of human society has taken place by way of five stages, of which the fifth is only now being entered upon in the socialist sector of the world. It is interesting, however, to note that Marx, in the Preface to the *Critique of Political Economy*, where he very briefly summarises his theory of history, uses a rather vaguer formulation. He writes: "In broad outlines we can designate the Asiatic, the ancient, the feudal and the modern bourgeois modes of production as so many epochs in the progress of the economic formation of society." Marx seems here to be thinking only of societies in the historical period, and to be ignoring the immensely long prehistoric age of which we know so much more now than in 1859. The mention of both "Asiatic" and "ancient" suggests that he was thinking of India and China as having a somewhat different development from that of Europe.

When we consider India and China, as well as Africa south of the Sahara, we find that the five stages of development simply do not fit the history of those areas in the way in which they fit the European culture area. It is true that the new text-book *Fundamentals of Marxism-Leninism* states that "mankind as a whole has passed through four formations—primitive-communal, slave, feudal and capitalist—and is now living in the epoch of transition to the next formation, the Communist formation, the first phase of which is called socialism." The passage from Marx just quoted, however, deserves, I believe, more attention than is usually paid to it. Other passages from the same summary are frequently quoted, but this sentence is largely ignored.

What is the difficulty in applying the five-stage theory to mankind as a whole? It is that, on the evidence available, it seems very doubtful whether, in the areas mentioned, there ever existed an economic system based on slavery, to be compared with what we are familar with from the Greco-Roman world. Slavery of course existed; but is there any evidence to show that agriculture, the basis of the whole, was carried on mainly by slaves?

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Feudalism

China emerges into the light of history in the second half of the second millennium B.C. under the Shang. The Chou, who succeeded them, had a developed feudal system. Can we say this of the Shang? H. G. Creel, in the *Birth of China,* does not think so, but he does not suggest that the Shang was a slave state, and his arguments against feudalism are not very convincing. Dr. Needham, in *Science and Civilisation in China,* thinks that what Creel describes was "a kind of Bronze Age proto-feudalism." When the Empire was unified, after the Warring States period, the type of feudalism changed to a considerable extent. With intervals when the old type of hereditary land-owning aristocratic feudalism held sway, the system became one of government by a non-hereditary officialdom, which Needham speaks of as "bureaucratic feudalism." Until the irruption of capitalism from the West, the system remained a type of feudalism.

It is interesting to note that Professor Goodrich, in his *Short History of the Chinese People,* remarks in a footnote that there was never more than about one per cent of slaves in the Chinese population, compared to some 50 per cent in that of Greece. Unless his statement about China is wildly inaccurate, there cannot have existed a Chinese economy based on slave labour.

Indian history is much less well documented than Chinese, but it is at least probable that here too more research would show that slavery was never the *predominant* form, whatever proportions it may have assumed at different times. How does it come about, then, that during nearly three millennia civilisations of a very high level continued in existence in these areas? Ups and downs there were, of course. Large-scale invasions caused great destruction. Dynastic wars and revolts against the central authority brought much suffering to large areas, but the civilisations never broke down completely. Always, when peace was restored, they flourished again, at times even more brilliantly than before. What was the reason?

Both India and China have very extensive river-valley systems, which were developed through an elaborate network of irrigation. The problem of water conservation and utilisation was somewhat differently tackled in India than in China, but the effect was the same. In both countries there grew up an enormous number of villages, which were more or less self-supporting units. Even with the primitive methods of agriculture in vogue, the fertility of the soil was such that a sufficient surplus of production was available to the central government to support a very complex and elaborate superstructure.

In both India and China the irrigation system was so well constructed that, during at least two millennia, it did not break down, as happened in Mesopotamia. The result was that there was no urge felt to change the economic basis. To quote Marx again; "Therefore, mankind always sets itself only such tasks as it can solve; since, looking at the matter more closely, we will always find that the task itself arises only when the material conditions necessary for its solution already exist or are at least in the process of formation." Alterations there might be in the methods of collecting taxes, in the structure of land-holding and so on, but these were alterations *within* the system.

No doubt the standard of life of the villagers was low and taxation pressed hardly on them, but they were not slaves, even if they were not completely free.

Slavery in Europe

The development in Europe was, however, very different. A slave-plantation system, which old Cato at the very beginning of the change with prophetic eye saw as the ruin of the Rome for which he stood, during several centuries produced enough surplus to sustain the weight of the Roman Empire. This Empire broke down, owing to a number of factors, of which one of the principal was the sheer inefficiency of the slave system; and Western Europe fragmented back again into a number of small agricultural communities out of which developed the feudal system.

When population increased and most of the land capable of cultivation was taken up, trade began again to flow faster. But there was no basis for expansion in the existing economic system. The only great river-valley system in the area capable of producing a large surplus was the Nile, and that was no longer available as it had been to Rome, nor was the North African grain-producing area. If European civilisation was to develop, the economic system had to be changed. The urge was felt and answered.

In speaking of the five stages as being everywhere applicable, have we not fallen into what is rather a common error? Creel, in his *Chinese Thought,* says: "When the Chinese have spoken of 'the world', they have usually meant 'the Chinese world', just as when we speak of 'the world' we frequently mean 'the Western world'. In each case the term means 'all the world that matters'." We have, in fact, been following bourgeois historians in assuming that world history is patterned after the history of one particular area; and an area, at that, which has only taken the lead in the last four hundred years or so.

ROBIN JARDINE

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